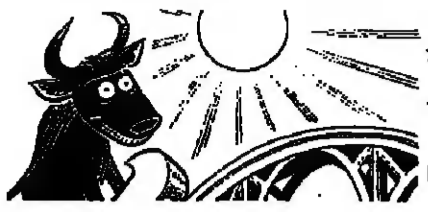
Winter Olympics

28-page Financial Times guide



After Euro Disney

A new recipe for a new theme park

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FINANCIAL TIMES

Europe's Business Newspaper

MONDAY FEBRUARY 14 1994

Viacom favourite to win battle for Paramount

Viacom, US cable television group, remains the favourite on Wall Street to win the $10bn battle for control of Paramount Communications, which formally comes to a close tonight. With rival bidder QVC continuing to hint that it might improve the terms of its offer, it was unclear at the weekend if Viacom would be able to declare outright victory. Page 13

Threat to EU enlargement: A Spanish claim for extra money from applicant countries could sidetrack the European Union's drive to complete enlargement negotiations with Sweden, Finland, Austria and Norway this month. Page 12; EU finance ministers' meeting, Page 3

Export credit losses hit record: The German government's export credit insurance programme, Hermes, last year suffered its worst deficit – DM5.1bn ($2.9bn) – mainly because of losses on *business with the former Soviet Union.* Page 12

EC 'traffic bond' plan: The European Commission is considering launching bonds tied to the volume of road traffic to help develop Europe's transport network. Page 12

American wins Olympic downhill title

American Tommy Moe, left, won the downhill skiing title on the first day of competition at the Winter Olympics at Lillehammer, Norway. Moe, 23, unheralded before the race, won by four-hundredths of a second ahead of Kjetil Andre Aamodt of Norway – the narrowest margin of victory in Olympic Alpine history. Canada's Ed Podivinsky took the bronze medal.

Lloyd's, the London insurance market, does not expect to reach an out-of-court settlement to legal action involving more than 17,000 of its investors. The deadline for investors to accept the £900m ($1.3bn) deal is today. Page 12; Will they take the money and run? Page 11

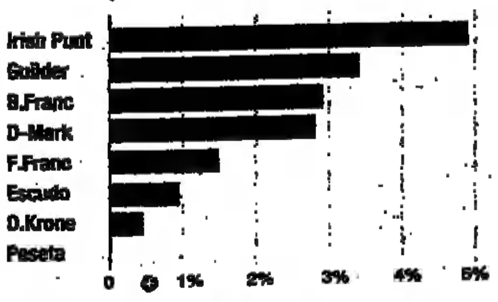
OECD tackles bribery: Senior officials from the Organisation for Economic Co-operation and Development's member countries meet in Paris today and tomorrow to seek common guidelines for clamping down on bribery and corruption. Page 5

Lottery 'dirty tricks' claim: GTech of the US, the world's biggest lottery company, claimed it was the victim of a dirty tricks campaign designed to harm its chances of winning a role in the UK's National Lottery. Page 6

Japanese equities win support: UK institutions are showing renewed enthusiasm for commercial property and a greater appetite for Japanese shares, according to a survey carried out for Smith New Court, UK securities house. Page 14

European Monetary System: The D-Mark made up ground within the EMS grid last week, but still remained in fourth place behind the Belgian franc. The relative strength of the D-Mark reflected the market view that the Bundesbank council is unlikely to ease monetary policy when it meets on Thursday. The Irish punt lost ground but remained the strongest currency. Currencies, Page 25

EMS: Grid February 11, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Rogers' $2bn bid could face resistance: The board of Maclean Hunter, Canadian publishing and broadcasting group, is unlikely to give unqualified approval this week to the takeover bid worth at least C$2.8bn ($2.1bn) from Rogers Communications of Toronto. Page 13

Arabs die in Gaza: Two Arabs suspected of aiding Israel were killed by Palestinians in the Gaza Strip. In the West Bank three Israelis were wounded by Islamic militants.

Mexico warms to US banks: The Mexican government will this week invite US and Canadian-based banks to apply for licences to set up Mexican subsidiaries. Citibank is the only foreign bank now operating in Mexico. Page 15

Burmese boat deaths feared: About 200 Burmese, many of them women and children, were feared dead after a boat taking them home capsized off the southern Thai province of Ranong.

First on Time: Time magazine named Margaret Carlson, a former White House reporter, as the first female columnist in its 70-year history.

Russia faces population crisis as death rate soars

By John Lloyd in Moscow

Russia is facing a double population crisis – a dramatic rise in death rates and a sharp fall in the birth rate, according to official figures which have largely been kept hidden from public debate.

In the past year alone, the death rate jumped 20 per cent, or 360,000 deaths more than in 1992. Researchers now believe that the average age for male mortality in Russia has sunk to 59 – far below the average in the industrialised world and the lowest in Russia since the early 1960s.

The results, which have been a matter of close concern at the level of Russia's National Security Council, are only now trickling out. Some were given at a conference last week at the New York Harriman Institute by Ms Natalia Rimashevskaya, head of the Institute for Socio-Economic Studies of the Population, while further research into the figures has been done by Ms Judith Shapiro, a British academic working with the macroeconomic and finance unit which was attached to the Russian finance ministry until last month.

Ms Rimashevskaya's findings showed, she said, an "unprecedented" rise in the death rate, with much of the increase due to "killings, suicides and conflicts". However, infant mortality had also gone up sharply, from 17.4 in 1,000 in 1990 to 19.1 in 1,000 last year.

The average age of death (for men and women) was now, she said, "at 66 or lower" – the same level as in the early to mid 1960s and four or five years below the figure that had been achieved more recently. In 1993, 1.4m people were born and 2.2m died – although inward migration of Russians from former Soviet republics compensated to some extent, bringing the net fall in population to 500,000 last year.

Ms Shapiro's findings, based like Ms Rimashevskaya's on figures from the state statistical committee Goskomstat, which have had very limited availability, show men to be the main victims of earlier deaths. The average death rate has been brought down to 59, she says, largely through two causes – a higher rate of coronary disease and strokes, and more violent deaths.

Of the total of 360,000 extra deaths in 1993, nearly 50 per cent were from heart and circulatory failure and more than 25 per cent were from violent causes.

Ms Shapiro says that simple poverty, and the state of the post-Soviet health service, are probably minor causes of the phenomenon. More significant is what she calls a "psycho-social crisis" in which greatly rising insecurity and worry about crime, hardship and change play a large part.

Ms Rimashevskaya says the decline of births is partly due to a simple shortage of women – but more because women of child-bearing age postpone having children or decide not to give birth "because of the poor situation in the society".

US looks at sanctions as way to open Japan trade

By Jurek Martin in Washington and William Dawkins in Tokyo

- Plaudits pile up at home for hardline Hosokawa Page 4
- Backing for Clinton Page 4
- Lex Page 12

The US will today begin a review of trade and economic measures that might be used against Japan in the wake of the failure of Friday's bilateral summit to resolve deep differences over the best means to secure greater US access to Japanese markets.

After a farewell breakfast with President Bill Clinton on Saturday, Mr Morihiro Hosokawa, the Japanese prime minister, warned the US not to impose trade sanctions. His aides hinted that Japan would take action against the US under the General Agreemnent on Tariffs and Trade or take retaliatory measures of its own in the event of excessive US action.

US officials, taking heed of Mr Clinton's call for "a period of reflection", did not identify which Japanese goods might be targeted or how or when. But one warned that the administration would be "clobbered" in Congress and by business if it did not respond. Mr Mickey Kantor, the US trade representative, will undertake the initial review.

The first concrete US response may come tomorrow when Mr Kantor's office is scheduled to pass judgment on a complaint from Motorola that Japan has not lived up to the terms of the 1989 agreement granting the US company greater access for its cellular phones in the main urban corridor from Tokyo to Osaka.

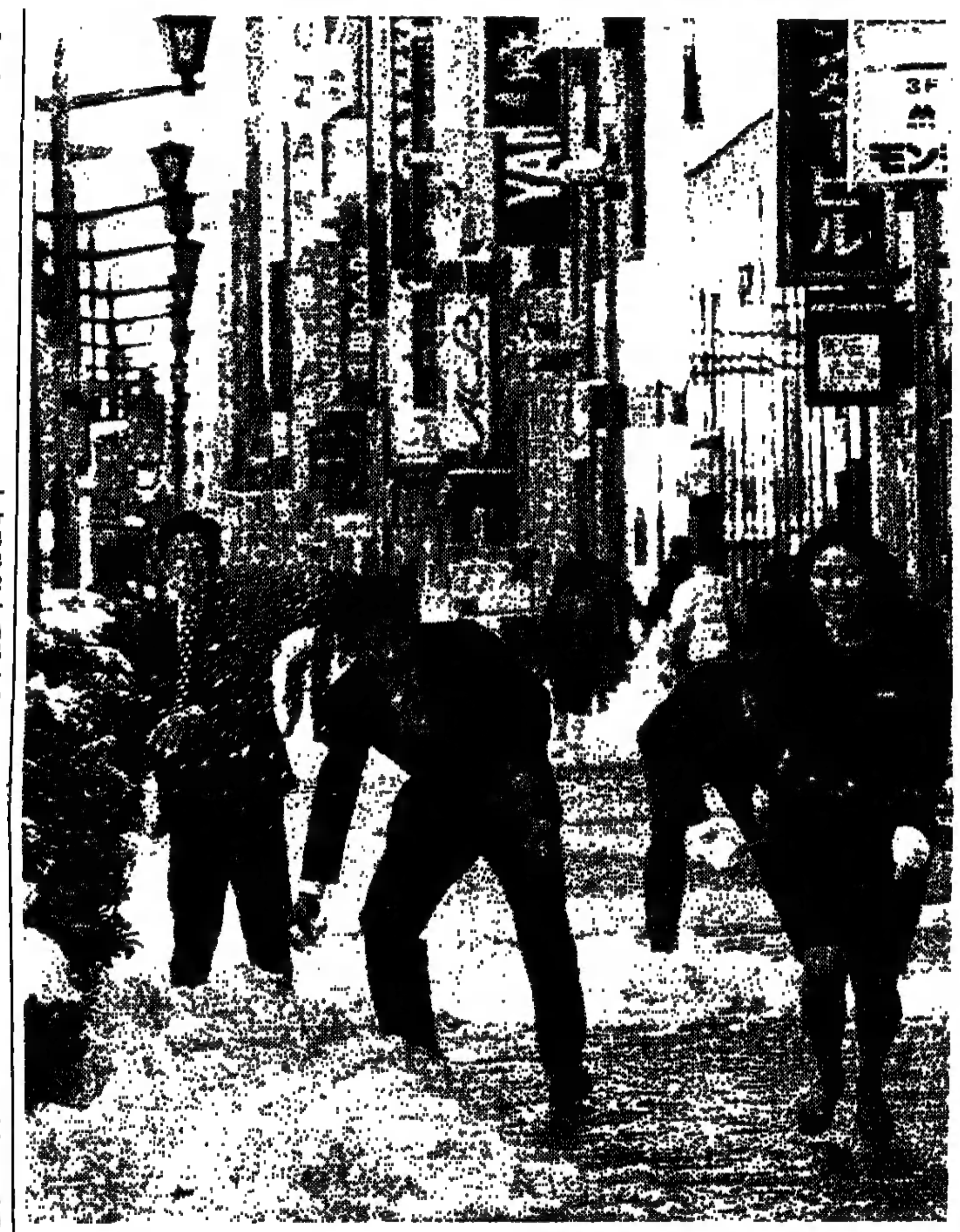
Other options under consideration include Mr Clinton invoking, by executive order, the "Super 301" provisions of US trade law. Under Super 301, countries deemed systematically to discriminate against US goods and services are identified by name, setting in motion a process that can lead to sanctions.

The US is also expected to keep the pressure on Japan to further stimulate its economy. It may also seek to drive the yen upwards, thus reducing the competitiveness of Japanese exports. On Friday Mr Clinton had included the exchange rate as one of the "objective criteria" the US wanted applied in measuring progress to more open Japanese markets.

However, both leaders stressed on Saturday that in matters other than trade the relationship was in good shape. Mr Hosokawa's reference to disagreements being normal among "grown-ups" was echoed by US officials who believe in a more "mature" relationship than has necessarily been the case since the second world war.

Yet both leaders won domestic *political plaudits from Friday's* failure. Mr Hosokawa returned home yesterday to general support for his tough line against

Continued on Page 12



Cold comfort: Tokyo *shopworkers sweeping snow* from the pavements of the Ginza district yesterday take time out for a snowball fight after Saturday's heavy falls.

Associated Press

Russia softens stance on air strikes

By John Lloyd in Moscow and Jurek Martin in Washington

Russia has significantly softened its opposition to air strikes on Serb positions in Bosnia a week before the United Nations deadline for the withdrawal of their artillery from around Sarajevo expires.

Mr Andrei Kozyrev, the Russian foreign minister, said at the weekend that Russia would agree to air strikes – but only "as a last resort". He said they would have to be called for by UN forces on the ground and cleared through the security council by Mr Boutros Boutros Ghali, the UN secretary-general.

Mr Kozyrev's remarks came after a telephone conversation between President Boris Yeltsin and President Bill Clinton on Friday night, at which – according to the Russian president's press spokesman – the two had agreed to "step up work" with the opposing groups on whom they had most influence. Mr Kozyrev himself talked by telephone on Saturday to Mr Warren Christopher, the US secretary of state.

Mr Kozyrev, who had earlier refused to countenance air strikes under any conditions, said on Saturday that he now viewed them as "conceivable and possible – though not welcome".

Senior US officials yesterday emphasised what Mr William Perry, the defence secretary, described as the "new energy" being devoted to diplomatic

Continued on Page 12

Inkatha joins with rightwing whites to boycott elections

By Patti Waldmeir in Johannesburg

The Zulu-based Inkatha Freedom party said at the weekend it had made a final decision to join white rightwing parties in opposing South Africa's April elections. The decision increases the threat of election-related violence and raises doubts about whether a poll can be conducted nationwide.

Inkatha called on its supporters to boycott the poll and to campaign with the conservative Afrikaner Volksfront (Afrikaner People's Front) to ensure it is cancelled. Both Inkatha and the AVF were careful to avoid an overt call to violent resistance – Inkatha said it would use only legal methods to oppose the poll and the AVF said it would "give priority to peaceful means". But Chief Mangosuthu Buthelezi, Inkatha leader, warned that the boycott could bring death and bloodshed.

"It is impossible for me to lie to you and reassure you that the IFP opposition to fighting the elections under the present constitution will not bring casualties and even death," the Zulu leader told about 10,000 supporters. He called on them to set up self-defence units.

"If we do not defend our people, no one else will. We must defend our communities with all our might. We must defend and fight back. We must resist the African National Congress and their communist surrogates," he said.

The three groups in the rightwing Freedom Alliance – Inkatha, the AVF and the black homeland of Bophuthatswana –allowed a weekend deadline to pass without registering to participate in the election, to be held on April 26-28. They reject the 1993 constitution which provides for strong central government rather than the devolved government which the right demands.

Both the government and the ANC said parties could register even after the deadline, but only if progress is made in constitutional negotiations.

Meanwhile Mr Kobie Coetsee, defence minister, said South Africa's defence force was taking measures to meet a threat from the white right. "The defence force has tightened up security at its bases and taken measures to safeguard its armaments" he said, adding that the force had withdrawn weapons issued to white part-time soldiers who had "abused" them.

Inkatha said it remained committed to negotiation and called for international mediation to break the deadlock. But Inkatha officials made clear that the KwaZulu government, which Chief Buthelezi heads, would not allow polling booths to be set up in the homeland. This puts KwaZulu on a collision course with the central government, which said it would use "physical force" to ensure the poll takes place.

South Africa's worst nightmare would be joint resistance by the white and black right, with whites providing commanders, training, strategy and perhaps heavy weaponry from defence force armouries, and Inkatha large numbers of fighters.

Things threaten to fall apart, Page 10

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000
						UAE	Dh12.00

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Presence of Washington negotiators may revive Geneva peace process, diplomats say

US move brings new hope for Bosnia talks

By Judy Dempsey in Geneva

Talks in Sarajevo this week could change the pace and direction of efforts for a settlement in Bosnia, when US diplomats put into effect Washington's decision to play a greater role in seeking a negotiated settlement for Bosnia.

Nato officials said this weekend that the presence of a team of US negotiators in Sarajevo could change the nature of the Geneva peace process, now that Washington – belatedly – has become actively involved and has thrown its weight behind Nato air strikes on Serb artillery batteries around the Bosnian capital.

"The problem with the Geneva negotiations is that they failed to motivate all three sides sufficiently to make them all sign up to a peace agreement," another Nato diplomat said.

"The threat of the use of force, which is real for once, and other elements on the ground could really move along these talks."

The current peace plan, drawn up by Lord Owen and Mr Thorvald Stoltenberg, envisages dividing Bosnia into three ethnic states, nominally within a republic of Bosnia. In practice, it would link Serb- and Croat-controlled areas with their respective patron republics, leaving the Bosnian Moslem statelet vulnerable and sandwiched between two hostile states.

US officials, however, are unwilling to reveal what plan they will put on the table in Geneva when the talks reconvene at the end of this month.

"This process [in Geneva] has made a lot of progress. But it has not been able to bring it to a close, even though the negotiators keep saying the differences are very narrow.

"If so, why the delay? The Americans will try to stimulate the process in a different way that could get us to the end of the road," a Nato diplomat said.

In becoming more engaged at Geneva, the US wants to establish "what is the Bosnian government's bottom line" for accepting peace; work out how to cement, or at least improve relations between Croatia and Bosnia, particularly in western Hercegovina; and establish at what price President Slobodan Milosevic of Serbia would make more concessions in order to have sanctions lifted.

Nato diplomats believe the Bosnians could accept peace if they knew that the territory they will control will be ethnically homogenous, will have access to the sea, and will be backed by an economic reconstruction programme. "Let's be clear. If the Bosnians are forced to sign, there will be no lasting peace. Also, the US will not twist their arm to accept the present plan. That will not bring a lasting peace," a Nato diplomat said.

The Croatians, who before the war in Bosnia supported Serbia in its carve-up of the republic between Belgrade and Zagreb, are slowly shifting their ground. In Geneva last week, Croats and Bosnians discussed securing stability in western Hercegovina, especially in Mostar, the regional capital.

The city, which never received the attention that Sarajevo did, is almost rubble in the wake of Croat shelling, while in central Bosnia, also off the main headlines, scores of people are killed each day in clashes between Bosnian and Croat forces.

"The Croats know we are approaching the end-game, but this time from the western angle not the Serbian side. We are prepared to slap sanctions on them. They have gotten away with too much," the Nato official said. He added that President Franjo Tudjman of Croatia, an ally of Mr Milosevic, is now supporting the Nato strikes.

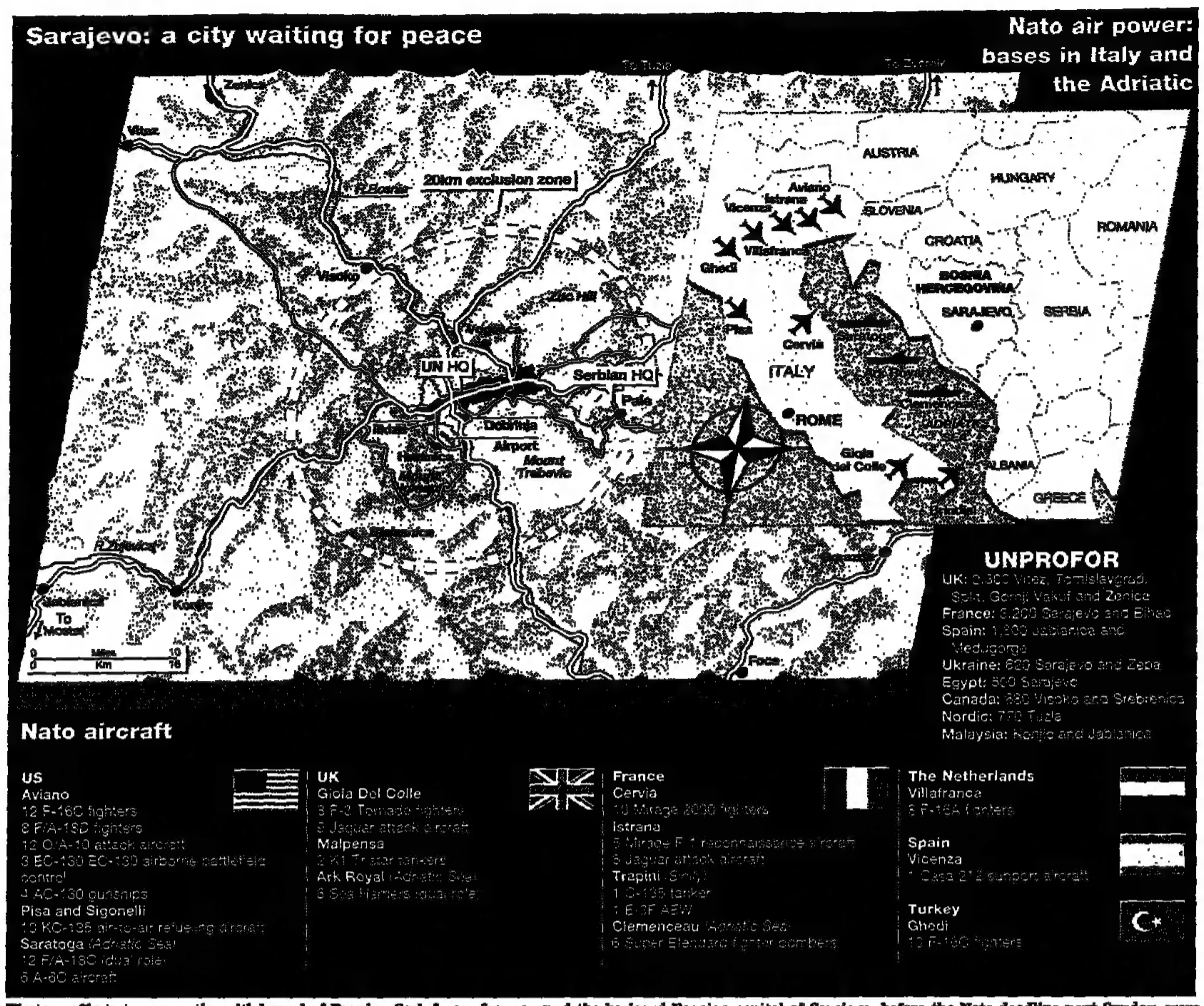
"The Croats are fickle. They back the winning side. They know the US could push for sanctions," he added.

Yet the US knows it is Mr Milosevic who can, with the crucial support of some hardliners on the ground in Sarajevo, hold the key to peace.

"Milosevic wants those sanctions lifted. The US is here now to motivate all the sides. We don't have a timetable. But one thing is sure. This war cannot be won militarily... it has got to take advantage of what Nato has done. But in order to stop the suffering, all of them are going to have to find a negotiated political solution. That's the US message," the diplomat said.

But Nato diplomats admit that even if the threat of the Nato ultimatum can put pressure on the Geneva talks to reach an eventual settlement, it will be difficult for the three sides to trust one another, either at the negotiating table or on the ground.

"Each side has become so radicalised, and the Bosnians often feel they were being treated the same, as if they were equally to blame for the war at Geneva," a Nato diplomat said. He added that the US would "try to promote trust" among the Bosnian delegation, and also among the other two sides. "It won't be easy," he continued. "But by having having the US on board, all three sides will realise that behind that presence is Nato. That could well speed up the negotiations. But nobody lays hostage to fortune in these talks."



Western efforts to secure the withdrawal of Bosnian Serb forces from around the besieged Bosnian capital of Sarajevo, before the Nato deadline next Sunday, were progressing in fits and starts, Judy Dempsey writes.

For most of the day, Serb forces stopped handing over their heavy artillery pieces to United Nations military personnel. General Manojlo Milovanovic, chief of staff of the Bosnian Serb army, said the process had come to a halt. The UN forces had failed to take corresponding measures against the Bosnian forces, he added.

But, late yesterday afternoon, UN officials said Serbian co-operation had re-started and they reported that five artillery pieces had been handed over. This is a trickle, however. Hundreds of long-range weapons remain to be surrendered if the 22-month siege of Sarajevo is to be lifted peacefully.

As a measure of what UN negotiators in and around Sarajevo might have to face in the next few days, Gen Milovanovic said the UN was failing to disarm, or neutralise the Bosnian (Moslem) infantry, which he said outnumbered Serb forces. The Bosnian infantry is lightly armed but increasingly organised. It has succeeded in defending the city, as well as in making territorial gains in central Bosnia.

Gen Milovanovic told reporters at Pale, the Bosnian Serb headquarters: "The UN was unable to secure control of the Moslem infantry. Therefore, I did not allow the withdrawal or control of the Serbian artillery." The UN had asked the Serb forces to hand in about 20 heavy artillery pieces.

The general had earlier told Politika, the Belgrade daily, that his forces would be able to shoot down some Nato aircraft. "Gun crews are in full combat readiness as if air strikes were about to begin now."

UN officials in Sarajevo are concerned that Bosnian forces might provoke the Serbs into breaking the ceasefire, and thus prevent the delivery of heavy weapons to UN control. Admiral Jeffrey Boorda, Nato's southern European commander, insisted that all heavy weapons should be withdrawn from around Sarajevo, adding that the Nato ultimatum was not directly exclusively at the Serbs.

At the same time, General Michael Rose, UN commanding officer in Sarajevo, said Bosnian government forces had broken the ceasefire at the weekend. He said the Bosnians were trying to provoke the Serbs, implying that the forces loyal to the Bosnian government wanted to precipitate air strikes.

Yesterday, Hina, Croatia's state-run news agency, reported heavy clashes between Bosnian and Croat forces around Vitez, in central Bosnia.

Slovak premier calls for early poll

By Patrick Blum in Vienna

Mr Vladimir Meciar, Slovakia's prime minister, has called for early elections and the resignation of two senior government members in a weekend offensive against his opponents.

Fighting off opposition calls for his own resignation and the appointment of a transitional government, Mr Meciar said a general election before the summer would be "the most honest solution" to the crisis dividing his government. The last general election was in June 1992 and the next one is not due until 1996.

Legislation, including an important new bill on privatisation, is blocked by parliament, where the ruling coalition is in a minority following successive defections.

Speaking after a special meeting of his HZDS party national board on Saturday, Mr Meciar called for the resignation of Mr Roman Kovac and Mr Jozef Moravcik, respectively deputy prime minister and foreign affairs minister, following their support for moves to replace the government by a broad coalition including non-partisan experts. Both ministers are HZDS members. Mr Moravcik said he would not resign.

The meeting was prompted by the creation last week of an Alternative of Political Realism faction by 10 HZDS deputies opposed to Mr Meciar.

The prospect of an early general election was welcome by the left-wing Party of the Democratic Left (SDL), successor to the former Communist party, which is level with the HZDS in opinion polls.

Referendum for Crimea

Newly elected Crimean President Yuri Meshkov said yesterday he would press ahead with plans to hold a referendum on Crimean independence, Reuter reports from Crimea. Mr Meshkov told the Commonwealth of Independent States' television channel that voters would be asked the question: "Are you in favour of an independent Republic of Crimea in union with other states?"

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Three weeks on, the super dinar is still working

By Kerin Hope in Belgrade

Quails' eggs, Italian ice cream and kiwi fruit have appeared again in Belgrade supermarkets since the "super dinar" was launched three weeks ago as the beleaguered Yugoslav government's cure for hyper-inflation.

But the return of these tasty luxuries to the streets of the Serbian capital is a cruel illusion. Only Belgrade's new rich, the profiteers who smuggle petrol and other goods in defiance of UN sanctions against the rump Yugoslavia, can afford them.

Despite the relief induced by a few weeks without inflation, the government's chances of maintaining monetary stability, let alone implementing measures that will revive the economy, appear slim.

The new dinar, fully convertible and equivalent to DM1, was introduced after several months during which it was possible to measure Yugoslav inflation by the hour and the D-Mark had come close to replacing the national currency.

Although the super-currency is backed up by only $150m (£102.7m) in hard currency reserves, according to the central bank, prices of meat, milk and other staples plunged as goods hoarded by producers and wholesalers flooded back into shops.

Old dinars are still circulating, but at just over 12m for one new dinar, are so inconvenient to handle they are fast disappearing.

However, lower food prices have been offset by sharp increases in telephone and electricity tariffs, while new taxes are making life difficult for small businesses. Analysts warn that without curbs on public spending, including a military budget which absorbs 7.6 per cent of outlays, the government's attempts to increase revenues will have little impact on a widening deficit, forecast to reach as much as 35 per cent of gross domestic product.

Prof Tomislav Popovic of the Institute of Economic Sciences believes Belgrade's tenuous monetary stability will collapse in the next two months.

"Rising costs will be passed on to consumers and the government will have to choose between facing social unrest, or printing more money and resuming the inflationary cycle," he says.

The first hint of trouble came last week when the Serb-led government announced that the country's 1.3m pensioners would receive free food packages this month but only 57 per cent of their normal pension payment. With the average monthly salary now DM50 (£19.40), while pensions average DM34 a month, most Yugoslav families must dig into their savings to survive.

The cynical view is that the government is intent on absorbing most of an estimated DM1.5bn still held by private savers in Serbia and Montenegro to boost its hard currency reserves.

The central bank says foreign exchange reserves have risen by DM79m in the past three weeks as foreign currency holdings have been converted into dinars under the new system.

This is relatively slow progress, and the fact is that UN sanctions, together with the war in Bosnia and the breakdown of tightly integrated trade relations among the former Yugoslav republics, have brought the official economy close to collapse.

Some 750,000 workers – 25 per cent of the workforce – are registered as unemployed and 1.2m more are on paid leave. Gross domestic product, now only a third of the 1990 level, is forecast to decline by at least 15 per cent this year. After a 40 per cent drop in industrial output last year, agriculture now accounts, officially, for more than 50 per cent of GDP.

However, the official figures may underestimate the size of the economy. Prof Popovic estimates that the black economy, based on sanctions-breaking and tax evasion by small businessmen, is equivalent to 33 per cent of GDP.

Tax on felling forests urged

By Bronwen Maddox and David Lascelles

The European Union should introduce a tax on timber to reflect the environmental cost of cutting down forests, according to Mr Ioannis Paleokrassas, environment commissioner.

"Timber is a resource we could price more correctly," he said. "If we carry on as we are, forests will be decimated."

A timber tax would be graded according to the origin of the timber, he said in London last week. Timber from old, native forests would be taxed more heavily than that from replanted forests.

The tax would apply both to imports and to wood from Europe.

He denied it would conflict with the General Agreement on Tariffs and Trade.

His comments drew a sharp response from Brazilian timber exporters. Mr Claes Hall, European spokesman for Brazil's Cellulose Exporters' Association (Abecel), said: "We grow timber in plantations like a crop – any tax should recognise the difference between this and wood from native forests, and plantation timber or products made from it should not be taxed."

Finland's ministry of external economic relations said such a tax could affect timber exports, though Finland believed that it managed its forest better than many other countries.

Finland, one of the largest timber exporters in Europe, is negotiating EU membership.

However, Mr Paleokrassas's plan is an at an embryonic stage. He has yet to decide a timetable for turning the tree tax idea into a formal proposal.

Even if he were to table the plan it would have to navigate obstacles which have stalled other proposed European "eco-taxes", notably a tax on energy and its carbon content.

Member countries have complained that such taxes are a handicap to industrial competitiveness.

The Commission, which has been criticised by member countries for failing to enforce its extensive environmental regulations and directives, has said recently that it prefers to use "financial instruments" such as taxes to pursue environmental aims.

Decision-making now too complex for ordinary citizens to understand

Call to open up European maze

By Lionel Barber in Brussels

Decision-making in the European Union has become so complex that it is impossible for the ordinary citizen to understand, according to the EU's senior lawyer in Brussels.

Mr Jean-Claude Piris, head of the European Council's legal service, says the Maastricht treaty is partly to blame. New procedures and rules have turned the EU into a "veritable labyrinth".

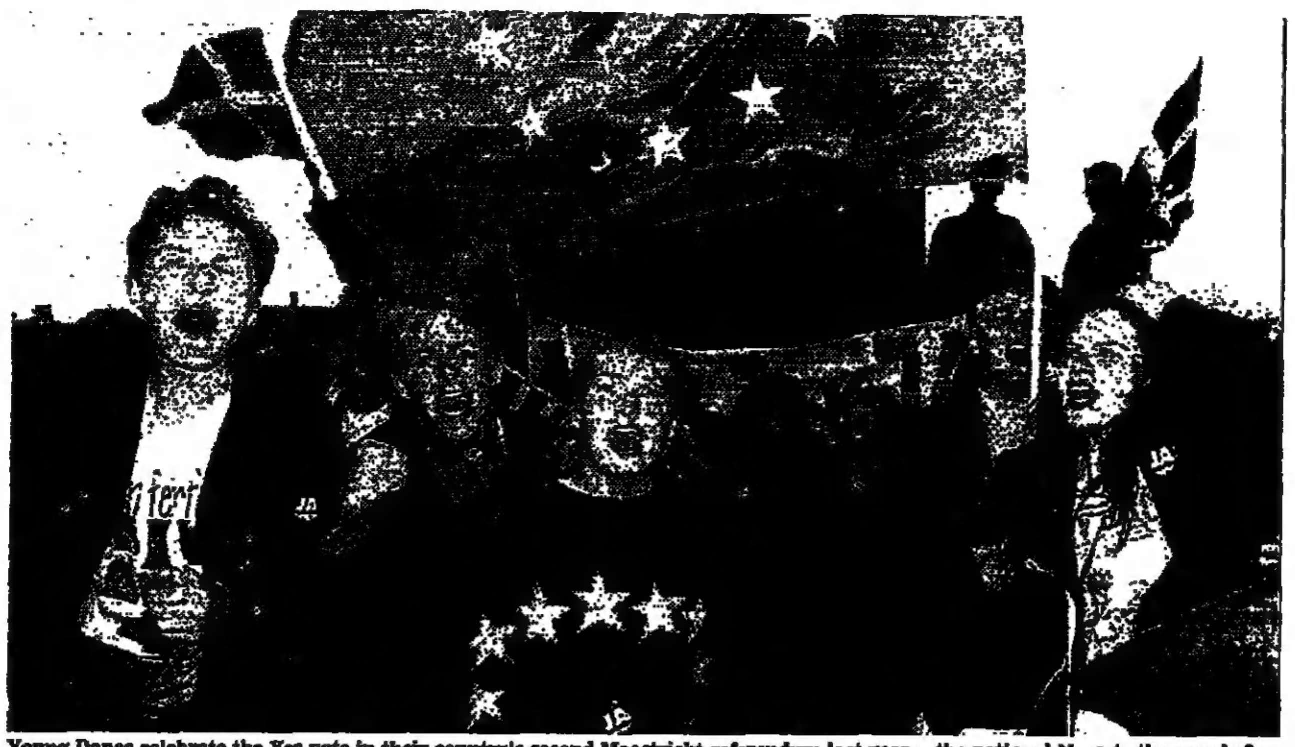
According to a paper circulating in Brussels, Mr Piris argues that reforms under way, though useful, do not go far enough.

"In order to be genuinely accepted and properly understood, the system ought to be profoundly reformed one day, so as to move toward more transparency," he says.

Mr Piris was involved in drafting the Maastricht treaty. He also devised the formula which allowed the Danish government to argue that it had won legally binding opt-outs, from Maastricht, securing a decisive win in a second referendum last year.

Mr Piris concedes that reform of decision-making will be difficult because it implies a choice between those favouring deeper integration and those, such as the UK, preferring looser inter-governmental co-operation.

The complex, opaque nature of decision-making in Brussels results from the need to compromise between these forces, not because of anonymous "diplomats and technocrats" who took part in the Maastricht negotiations, he says.



Young Danes celebrate the Yes vote in their country's second Maastricht referendum last year – the national No vote the year before was seen partly as the revolt of the 'ordinary citizen' against distant and unaccountable decision-making *Reuter*

Mr Piris suggests several reforms:

- A "single, shorter, more readable treaty" which would consolidate texts such as the Treaty of Rome, the Single European Act, Maastricht and others governing operation of the EU.
- Clearer demarcation of the areas of responsibility for the Council, the Commission and the Parliament, as well as between the Union and the member states.
- Modification of decision-making processes. Ministers involved in decision-making must at present follow at least 20 different procedures within Maastricht's framework.
- Streamlining the way in which the EU acts and is represented abroad. This could mean a seat for the EU at General Agreement on Tariffs and Trade talks in Geneva rather than separate national seats.

In his paper, Mr Piris argues strongly that the EU has done more to improve efficiency, transparency, and democracy than first realised.

He points to new powers gained by the European Parliament for scrutinising the European Commission; the creation of a European Ombudsman; publication of the Commission's legislative programme in the Official Journal in Brussels; and improved access to the public for official documents.

Mr Piris also dismisses as myth the suggestion that more majority voting would streamline decision-making.

He argues that forcing the pace on sensitive questions requiring unanimity could provoke a backlash in member states which would slow down implementation of legislation.

Growth and jobs dominate finance talks

By Lionel Barber

Rising unemployment and poor short-term prospects for economic growth in Europe will dominate the agenda when European Union finance ministers meet in Brussels today.

Talks will focus on how to carry out prescriptions in the Delors White Paper on employment and growth, which were approved at the Brussels summit last December.

Greece, which is to chair the talks today, has pledged to make the White Paper the centrepiece of its six-month EU presidency.

But its efforts will be complicated by the ideological faultline within the EU over how best to generate growth and improve competitiveness.

Mr Kenneth Clarke, UK chancellor of the exchequer, is expected to urge his partners to follow the British model and improve labour market flexibility. As he did in a recent speech in Paris, Mr Clarke will reject accusations that such steps have undermined the UK welfare state.

But other member states remain wary of moves which could provoke labour unrest at home. France, which has seen violent protests by fishermen, farmers and airline workers in recent months, will point to its policy of encouraging public and consumer spending to spur its faltering recovery.

The opening debate among ministers is to be televised.

Diplomats are watching for coded calls to the Bundesbank to bring forward the interest rate cuts which market observers believe is the best hope for an early recovery.

Ministers will also consider a revised Portuguese "convergence" plan which includes commitments to curb budget deficits and attack inflation, so as to prepare for the planned creation of a single European currency by the end of the decade.

The Portuguese plan will be the first of several revised programmes from other member states, following monetary turbulence last year.

As a separate item, Mr Clarke will raise concerns that an earlier political commitment by heads of government, to protect farmers from the effects of currency turmoil, could open the door to a flood of fresh spending.

The commitment to take "appropriate steps" to compensate farmers for big swings in currencies was made at the December 1992 summit in Edinburgh, as part of the seven-year budget agreement.

According to legal advisers in Brussels, the commitment could allow member states to use a qualified majority to trigger extra spending if that were incorporated in legal form, overriding the traditional need for unanimity on spending matters.

Revival of exit visas in France

France has decreed that nationals of 13 countries will need exit visas to leave the country, reviving a measure adopted in the mid-1980s to combat terrorism, AP reports from Paris.

The countries include Afghanistan, Armenia, Azerbaijan, Georgia, North Korea, Lebanon, Libya, Iran, Iraq, Jordan, Syria, Sudan and Yemen. Palestinians will also need visas.

The decree signed by Mr Charles Pasqua, interior minister, was published at the weekend in the Official Journal, meaning that it took effect as law. Interior ministry officials refused to comment on why the order was adopted. It mirrored a measure covering most other countries adopted in 1986 as a weapon in the battle against terrorism.

- Store owners in ports along France's Brittany coast closed their doors on Saturday afternoon in sympathy with striking fishermen who are pressing the government for more aid to offset low prices, Reuter reports from Rennes.

Authorities said several thousand people marched in silence in the port of Le Guilvinec, where the strike began.

Italian parties jockey for poll positions

By Haig Simonian in Milan

Italy's political parties are entering a decisive week to select candidates and refine their alliances before perliament winds up for the general election on March 27.

The need to allocate parliamentary seats will concentrate minds among party leaders, who have so far focused on broad alliances and not yet grappled with the details of the election campaign.

The jockeying for position among parties comes against the background of growing controversy over the role of the judges leading investigations of political corruption.

Politicians from the Northern League, which is expected to perform well in the polls, have accused magistrates of political bias, or "stop-watch justice", in deliberately timing recent arrests to cause embarrassment to some parties.

Mr Silvio Berlusconi, the media magnate-turned-politician who this month launched his Forza Italia political movement, took pains on Saturday not to attack the Milan magistrates who, on Friday, had ordered the arrest of his brother Paolo for alleged corruption.

Speaking at Ancona, however, on the first step of a national tour to popularise Forza Italia, Mr Berlusconi questioned the need for his brother's formal arrest in that the latter had already indicated his readiness to testify.

The message was amplified by commentators on Mr Berlusconi's three Fininvest television channels, who implied at the weekend that the arrest may have been politically motivated by left-wing magistrates seeking to embarrass Forza Italia and its leader.

The right of the judiciary to investigate corruption, in spite of increasing political sensitivity ahead of the election, was underlined by Mr Giovanni Conso, the justice minister. However, he also warned judges to be "scrupulous" and avoid the impression of political interference.

Support for the judiciary was echoed by Mr Giovanni Galloni, the deputy head of the magistrates' self-regulating council. He said: "It is up to every politician and party to see that candidates under investigation should await the conclusion of their cases before seeking re-election."

The issue of re-election has focused on Mr Ciriaco De Mita, a Christian Democratic former prime minister, who has been urged to stand again by constituents in his political power base in the Avellino district, near Naples.

In a separate development, indicating rising tension before the polls, Mr Bettino Craxi, a former Socialist leader, filed charges with Rome magistrates on Saturday against members of the Democratic Party of the Left, the former Communists, for alleged corruption.

Mr Craxi's accusations came as Mr Sergio Cusani, the Milan financier on trial for alleged handling of political bribes for the Ferruzzi-Montedison industrial group, repeated allegations that it had paid L1bn (£400,000) to the former Communists to win support for special tax breaks for the company.

In his first television interview, Mr Cusani also said he would arrange today to hand over L20bn of the L35bn in alleged covert Ferruzzi funds he controlled. The money, alleged to have been allocated for bribes to politicians, is part of the L150bn which magistrates believe was put aside by Ferruzzi to pay political bribes during the dissolution of the Enimont chemicals joint venture.

Plaudits pile up at home for hardline Hosokawa

In the face of domestic recession, the sight of a Japan that can say No is a new and welcome one in Tokyo

By William Dawkins in Tokyo

The impasse between Japan and the US is unlikely to harm prime minister Morihiro Hosokawa's domestic political prospects. It might even improve them.

Mr Hosokawa's clear denial of US demands and his refusal to cover up this disagreement with an ambiguous communiqué marks a clear break with Japan's previous attitude to its most important relationship.

This reflects the consensus that Japan should stand up to the US, a view shared among his seven-party coalition and by the leadership of the opposition Liberal Democratic party. As Mr Hosokawa said in Washington: "Until now we refrained from speaking candidly and saying what was difficult to say. In the past, Japan settled for ambiguous agreements with the United States that later became a source of misunderstanding and generated pressure from overseas... Now the bilateral relationship has turned into a mature relationship, one among grown-ups, and I'm very gratified to achieve that," he said.

With Japan deep in recession and the US well into a recovery, Mr Hosokawa's supporters would have found complete surrender to US trade demands all the harder to understand. He won full support from Mr Hiroshi Kumagai, trade and industry minister and a member of the Japan Renewal party, the main influence on the coalition's economic policy. "Japan and the US have entered a stage to create a new relationship where one side is no longer subordinate to the other," said Mr Kumagai.

Even the LDP congratulated Mr Hosokawa for not caving in to US demands for numerical targeted rises in import market share. "To accept such targets would mean abandoning the free trade principle and would go against the drive for deregulation," said Mr Yohei Kono, the LDP president. Mr Kono's support is less striking than its sounds, given Mr Hosokawa's increasing habit of seeking joint positions with former LDP colleagues on vital matters, as a buttress against the fragility of his own coalition.

As the reaction from Japan's business community over the weekend made clear, nobody had in any case expected a US-Japan trade deal.

The failure to reach agreement was "unavoidable", because Japan had "stuck to its policy of rejecting the US managed-trade-like approach", said Mr Gaishi Hiraiwa, chairman of the powerful Keidanren business federation. The Japan Automobile Manufacturers' Association praised government negotiators for not accepting numerical targets.

Japanese business and politics are however, worried about the possible costs of Japan's new toughness, possible US trade sanctions and another rise in the yen.

Accordingly, Mr Masayoshi Takemura, the chief cabinet secretary and one of Mr Hosokawa's closest allies, called yesterday for further steps to "open up our market and increase domestic demand", without, of course, targets.

Hosokawa and Clinton during their talks: both won support at home for their strategy Reuter

President Clinton's veiled threat to use the yen-dollar exchange rate as a numerical target has already sent a worrying tremor through Japanese business, in the shape of the Japanese currency's rise to a three-month high against the dollar in New York on Friday.

An anxious Mr Takeshi Nagano, president of the Nikkeiren employers' federation, said at the weekend the trade talks must continue. US trade sanctions and talking up the yen "would merely increase mutual distrust", he warned.

The risk that Mr Clinton might succumb to pressure for trade sanctions against Japan might also help Mr Hosokawa persuade entrenched bureaucratic and industrial interests to drop their opposition to his drive to reduce the more than 10,000 government regulations that choke economic activity. As so many times in the past, US pressure still moves Japanese governments.

"Japan, which... for the first time said No to what it cannot do, must implement what it can do as quickly as it can," the Yomiuri Shimbun, Japan's biggest circulation daily newspaper, advised Mr Hosokawa yesterday. The prime minister must now "take the initiative in resisting those forces that resist reform", said the Yomiuri's editorial.

NEWS IN BRIEF

Breakthrough hopes for malaria vaccine

Scientists yesterday reported significant promise in the century-long struggle to develop a vaccine against malaria, Reuter reports from Washington.

Malaria kills up to 1m children each year in Africa, and there are up to 500m cases of the disease each year globally. Moreover, the disease is showing resistance to drugs traditionally used to treat it.

Scientists working for a special tropical disease programme jointly sponsored by the UN Development Programme, the World Bank and the World Health Organisation said a vaccine known as SPf66 has shown promising results in the first phases of human trials in a region of Africa with rampant malaria.

A final phase of human tests of the vaccine, under way in Tanzania, Gambia, Colombia and Thailand, will determine whether SPf66 actually reduces the number of malaria attacks. If those tests are successful, a vaccine could be available for widespread use by 1998.

Sixty die in clan battles in Somali port

About 60 people were killed and more than 5,000 driven out of Somalia's southern port city of Kismayu in battles between rival clans, Reuter reports from Nairobi.

The Somali Salvation Alliance, a group of 12 factions aligned to Ali Mahdi Mohamed, blamed the clashes on Mr Mahdi's rival, south Mogadishu warlord Mohamed Farah Aideed. Gen Aideed's spokesman denied the charges and said he had condemned the latest violence.

Gunmen yesterday ambushed a UN convoy in Mogadishu and killed an Egyptian soldier. Other gunmen kidnapped two Italian aid workers in central Somalia.

Red Cross warns of Kabul aid 'disaster'

A senior Red Cross official yesterday said Kabul would face a disaster if food did not reach people who had been displaced by factional fighting, Reuter reports from Kabul.

Forces loyal to Afghanistan President Burhanuddin Rabbani and his opponents held their fire for the third consecutive day but it was not clear whether there would be a formal ceasefire during the fasting month of Ramadan, which began on Friday.

"If food cannot reach Kabul and the surrounding areas that will be a major disaster," Mr Peter Stocker, delegation head of the International Committee of the Red Cross, said.

California quake money unspent since 1989

Nearly \$3bn (£2bn) in bonds and tax money raised since the 1989 earthquake to make California safer is still unspent, AP reports from San Francisco.

The San Francisco Examiner found that \$2.8bn of the \$5bn raised by the public in the aftermath of the 1989 quake remained unspent.

At the same time, some 1,000 projects to strengthen buildings, bridges and roads have been stalled by paperwork, engineering obstacles or political controversy, it reported.

US to renew threat of Indonesia sanctions

The US will this week tell Indonesia it will carry out a threat to impose sanctions, AP reports from Jakarta.

Washington warned last year that trade privileges might stop unless the rights of Indonesia's 76m workers were recognised. President Suharto's government told Washington of its progress last month, but the US Treasury secretary, Mr Lloyd Bentsen, said during a recent visit to Jakarta that more must be done.

Rafsanjani's brother loses top media job

Iran yesterday appointed a new head of radio and television in place of the brother of President Akbar Hashemi Rafsanjani, in a move widely seen as a concession to conservative Moslem clerics, Reuter reports from Nicosia.

The Iranian news agency IRNA said supreme leader Ali Khamenei named Ali Larijani as the TV and radio chief to replace Mohammad Hashemi, the president's younger brother, who ran the broadcast organisation for 13 years. Mr Larijani is a relative hardliner who had been minister of Islamic culture and guidance.

Clinton wins support from economists

By Nancy Dunne in Washington

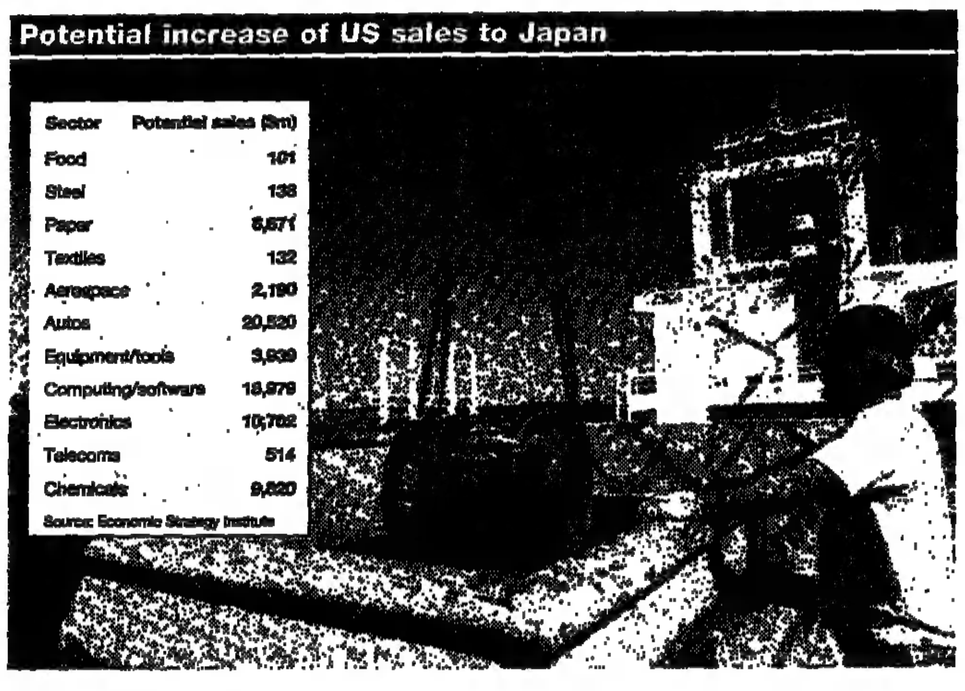
Prominent economists, academics and business leaders have lent their support to President Bill Clinton's strategy for opening the Japanese market. A letter backing Mr Clinton's approach swiftly gathered more than 110 names last week, symbolising the consensus – embracing even many traditional free traders – that the US can no longer live with the US-Japan trade imbalance or sign pacts that do not yield progress.

"There is a lot more resolve, unity and specificity," said a senior US official. "Look at those figures... \$60bn [trade deficit for 1993]. Plus we've learned a lot... You spend all those years on... talks, and you don't have anything. That's why we are insisting on a specific results-oriented approach."

Past pacts have generated some gains, but they have often been limited. Seven years after it was signed, a 1978 deal produced liberalisation of Japan's government procurement computer market. Other talks led to greater Japanese imports of tobacco, fish, beef and citrus fruits. In 1985, Tokyo cut leather tariffs.

In 1986, a semiconductor agreement set 20 per cent as a minimum goal for the opening of Japan's semiconductor market; thus far, however, this target has been reached only once.

Potential increase of US sales to Japan



Sector	Potential sales (\$m)
Food	101
Steel	138
Paper	8,671
Textiles	132
Aerospace	2,190
Autos	20,520
Equipment/tools	3,939
Computing/software	18,979
Electronics	10,702
Telecoms	514
Chemicals	9,820

Source: Economic Strategy Institute

According to the Economic Strategy Institute, the impact of Japanese policies is felt well beyond the US. Its surplus depresses world GDP "by upwards of \$400bn [£274bn]" and destroys foreign jobs at a time when unemployment is a severe problem. Japan's "minimal" imports of high value-added manufactured goods skew the composition of global economic activity and threaten trade frictions everywhere.

While the US refused to agree to an empty arrangement for the sake of a successful summit, its own proposals were vague. US officials said they wanted – and Japan at the Tokyo summit agreed to – "qualitative or quantitative indicators" which would be used to measure progress in market opening. There are no market share targets, and there would be no enforcement mechanism in the agreement.

A senior trade official explained: "A qualitative indicator is not numerical. 'Quantitative' may and may not be numerical, although it is hard to have a quantitative that doesn't have a number somewhere buried in it by implication or direction."

Japanese officials said what they rejected was "numerical targets" and "managed trade".

US business representatives, who advised the trade officials, said they also rejected managed trade. Ms Debra Waggoner, director of international trade for the American Electronics Association, said the group sought indicators comparing import penetration in Japan with third country markets, where the US and Japan compete head to head. The AEA would measure growth of the exports, the size of the markets and the competitiveness of the products.

"You set up benchmarks to see if you are making progress," said Ms Waggoner. "You want to see if something is amiss and if it is, you want to take the necessary steps to get on track."

A spokesman for the US car industry said: "We are not asking for guaranteed sales. Just give us the ability to sell."

Whatever was meant, the US and Japan are on a collision course. Mr Clinton's desired "period of reflection" could end as early as tomorrow, when a review of Japan's cellular telephone market is due. Mr Mickey Kantor, the US trade representative, is said to have already requested a list of potential targets for sanctions.

Beyond that are numerous trade cases to be filed or resurrected and unsatisfactory agreements to be reviewed. Mr Kantor has stressed the importance of trade pact enforcement to the credibility of the administration; he will now have the opportunity to make good on his words.

UK move to open US telecoms market

By Andrew Adonis in London

Opening the US telecommunications market to British operators will test US regulatory authorities in the coming weeks, and the outcome is likely to have significant implications for access to the US market by other overseas operators.

Cable & Wireless, the UK telecommunications group, is seeking a waiver from a restriction on foreign operators owning more than 25 per cent of a company holding a radio-based licence in the US.

The waiver application, to the Federal Communications Commission, the US telecoms regulator, is prompted by the prospect of licences being granted nationwide for personal communications services (PCS), a new cellular mobile technology.

More than 400 licences will be granted for franchise areas across the US. The contest for licences will be fought fiercely among US telecoms operators: more than \$10bn (£6.8bn) is expected to be raised by the government in fees.

The FCC has discretion to issue a waiver and will judge the C&W application on its merits. The terms of its ruling are that the UK has placed no bar on foreign ownership of licences for personal communications networks, the UK equivalent of PCS. One network was launched last year, in which US West, US regional Bell company, has a 50 per cent stake, with C&W its partner.

A second PCN network is set to be launched in the UK in April by Hutchison Whampoa, the Hong Kong conglomerate.

Mr Keith Bernard, C&W's director of regulatory affairs in Washington, said: "We want the freedom to do what US companies are allowed to do in the UK, so that we can integrate PCS into our existing networks in the US."

The 25 per cent ceiling dates back to the first world war. It was imposed for security reasons, but is now generally viewed as a protectionist device.

The FCC is likely to be guided by political considerations. Although some on Capitol Hill have a record of hostility to overseas operators entering the US, analysts believe the evidence of openness in the UK could lead to a change of policy with regard to the UK.

The decision has wider ramifications. British Telecommunications is currently seeking a licence to operate in the US in its own right, as is AT&T in the UK.

US regulators also have soon to decide whether to allow UK operators to offer "international simple resale" services to the UK, which would allow companies to resell lines switched into the public network on both sides of the Atlantic.

INTERNATIONAL PRESS REVIEW: BOSNIA

If the Bosnian Serb forces surrounding Sarajevo needed any back-stiffening as the Nato deadline to begin bombing them ticks away, their cousins in neighbouring Serbia appear to be happy to oblige. After all, no one is, yet, threatening to bomb Belgrade.

Thus Politika, the largest circulation Belgrade daily, which is close to the Socialist party of President Slobodan Milosevic, said in a column called The 14th Threat: "If we're counting correctly, this is the 14th threat to bomb the Serbs. It's hard to believe that any action will start, even if those responsible for taking such a decision can reach full agreement."

Someone in the hills around the Bosnian capital must have read this before deciding temporarily to stop Serbian guns being handed over to the UN peacekeepers at the weekend.

"Nato has imposed this rusty institution of an ultimatum, overtaking the UN and the clock has started ticking. What will happen after February 21?" asked the newspaper. "Even the Nato planners have no vision of what they'll do after the first decisive step."

Borba, the independent Belgrade daily, scuffled around for more neutral territory, though it was careful not to alienate its more chauvinistic Serb readers.

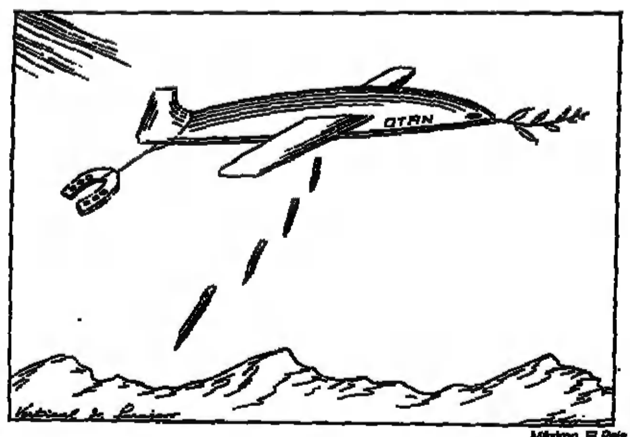
"It is naive to imagine that Nato's military machine cannot be stopped. At the same time, it is unwise to think that this is merely a verbal explosion," an editorial said. "If belligerent nationalists react noisily, the risk of air strikes being implemented increases.

"We must praise the readiness of the leaders of the Bosnian Serbs to make conciliatory arrangements quickly towards lifting the siege of Sarajevo."

Fortunately for Serb morale, the big French daily, Le Figaro, takes an age to get to Sarajevo. In Paris the Nato ultimatum has been greeted as ending months of mounting frustration for France's UN blue helmets at their powerlessness to stop the killing in Sarajevo, while reflecting satisfaction at the central French role in orchestrating the military and diplomatic moves.

Le Figaro noted with evident pleasure that "for the first time for a long time, it is France that has led the game. With President Mitterrand and Prime Minister Balladur on the same wavelength, the foreign minister [Mr Alain Juppé] was able to convince some, intimidate others, make alliances and above all make a united stand with the US."

But a writer on Libération probably better reflected the cautious mood in the rest of the continent. Just why was it that the west suddenly changed tack after the mortar attack on the Sarajevo market?



Máximo, El País

"Why did we react to the TV images of this attack more than to others? Because they were better filmed? Bloodier? Because the presenter of ABC News was – at last! – in Sarajevo to present it live? Or was it for a more sordid and arithmetical reason? Because our stomachs could not swallow in one go 66 deaths and nearly 200 wounded, even if over the past two years they have had no trouble digesting nearly 10,000 victims in Sarajevo alone, but in smaller mouthfuls?"

Italian commentators have applauded Nato's resolve. But since Italy houses the principal bases from which air strikes will be mounted, they also worry that possible Serb reactions could include air raids and sabotage.

Mr Indro Montanelli, the doyen of Italian journalists, warned in Corriera della Sera the new policy contained two dangers. "One is that intervention occurs and leads to nothing, thus worsening the situation. Alternatively there is no intervention and this inaction plays into the hands of those who blame the west for being indifferent to the Bosnian tragedy."

Mr Montanelli came down firmly against military intervention since it would resolve none of the bitter ethnic problems that have torn apart ex-Yugoslavia.

For the German press, the events of the past week in Bosnia, Brussels and beyond raise more questions than answers.

"Can Nato bomb its way back to peace?" the left-wing Der Spiegel magazine was asking yesterday.

"The west hopes to be able to bring the Serbs back to political reason, without itself having any overall strategy for the new ethnic and political order in Bosnia.

"If this risky game doesn't have an effect after the first air attacks, then Europe will have to lift its arms embargo against the Moslems in order to enable at least a marginal improvement in the arms balance."

The other leading question was: who is most powerless in the entire sorry story, the western allies, the UN, Russia, or the German government? Unsurprisingly, Germany wins the prize from its own news media for the least effective role.

"Just as on the eve of the Gulf war, Bonn is simply hoping that nothing happens next week, and that the Serbs take the threats of the west earnestly," said the conservative Die Welt on Saturday.

Much of which makes the truculent scepticism at Politika in Belgrade sound quite reasonable.

From Kerin Hope in Belgrade, David Buchan in Paris, Robert Graham in Rome and Quentin Peel in Bonn

OECD meets in effort to fight bribery

By George Graham in Washington

Senior officials from the 24 member countries of the Organisation for Economic Co-operation and Development are to meet in Paris today and tomorrow to seek common guidelines for clamping down on bribery and corruption.

The industrialised OECD countries agree on the importance of stopping bribery, as a way to improve governance in developing nations, but they remain far apart on how binding a set of rules to adopt.

An OECD working group on illicit payments has produced a report containing a list of possible anti-corruption measures. But the US and other countries are at odds over the extent to which the OECD's recommendations should be a fixed menu which members should adopt or a list from which they may select measures.

The US will make another effort at the meeting this week for the recommendation to be as binding as possible, requiring OECD members to make bribery of another country's officials a criminal offence, and for it to ensure that companies be not allowed to treat bribes paid abroad as tax-deductible.

US officials are also seeking to establish a review mechanism to monitor each country's implementation of the recommendations.

The Foreign Corrupt Practices Act of 1977 makes the US the only country so far to have criminalised bribery of another country's officials. Mr Warren Christopher, US secretary of state, has complained that US companies are losing vast sums because their competitors can win contracts by bribery.

Other OECD countries, however, have legal and constitutional concerns about extending their criminal laws to offences in another country.

US officials point out that the UK, for example, had no such qualms in the 19th century about making it a crime for any British citizen to engage in the slave trade. In modern times, Germany has moved against its citizens' involvement in child pornography in Sri Lanka.

Some other countries, however, see a closer parallel in the controversial US efforts to extend the reach of its environmental laws, for example by its ban on the import of tuna caught in drift nets. The ban was condemned by a panel of the General Agreement on Tariffs and Trade.

If agreement can be reached this week, an OECD recommendation could be adopted this spring; if not, the argument may spill into the OECD ministerial meeting in June.

Stagnation seen for Venezuela

By Joseph Mann in Caracas

The Venezuelan government does not expect the economy to grow this year, but is laying the groundwork for annual GDP growth of 4 to 5 per cent from 1995, according to Mr Enzo del Búfalo, economic planning minister.

The government of President Rafael Caldera, which began a five-year term on February 2, inherited a recession, high inflation and a large fiscal deficit. The government views 1994 as "a year of stabilisation", during which it will curb government spending, introduce tax reforms, revive a privatisation programme and streamline bureaucracy.

Mr Caldera has proposed a series of "strategic" economic measures, including "a battle against inflation", austerity in government spending, opening the economy and greater competitiveness, efforts to control waste and corruption, and a tax reform package. But the government has been short on specifics, saying only that it will raise the minimum monthly wage from the current level equivalent to $81 (£55) and drop an unpopular value-added tax.

The government also plans to re-start the country's privatisation programme, stalled since two failed military coups in 1992 plunged Venezuela into political instability. The first step in reviving the programme is the sale of a state-owned airline, Aeropostal, due in late March.

Venezuela's GDP last year showed a 1 per cent decline after three years of strong growth. Inflation in 1993 reached 46 per cent and was 4.3 per cent last month.

● The leftist party, Radical Cause, has reiterated its call for the dissolution of Venezuela's new Congress and the installation of a constituent assembly. Congressman Pablo Medina of the party called the Congress "illegitimate" and "fraudulent", claiming there was widespread cheating in counting Congressional votes after elections in December.

Riding to the future on a Hong Kong Harley

Simon Holberton meets a motor-cyclist from Harvard nicely placed in preparing a colonial transition

David Chu was warming to his subject. Looking down from the coffee shop of the sumptuous American Club, atop the 49th floor of Exchange Square in Central, he said: "See that red car parked there – it's just to the left of it."

He was identifying his custom-made Harley Davidson motor-cycle, for which he had paid nearly US$30,000 (£20,000) last year. "I have three Harleys," said Mr Chu, who describes himself as a "small property developer". He was born in Shanghai, educated at Harvard and is a US citizen. He is also one of the most important people in Hong Kong. With 29 other residents of the colony and 27 mainland officials, Mr Chu is a member of the Preliminary Working Committee (PWC), an élite group appointed last summer by Beijing to prepare for the Chinese takeover of Hong Kong in 1997.

"What the PWC is doing will have profound implications for the government of Hong Kong after 1997," said Mr Chu. "Anyone interested in Hong Kong's future should take a look at the PWC."

He has a point. The only formal structure China had designed to manage the last days of British rule is the Preparatory Committee, not due to come into existence until 1996.

DEMOCRATISER: Governor Chris Patten favours first-past-the-post elections Picture: Ashley Ashwood

Its main purpose is to select Hong Kong's chief executive, the governor, and decide who will occupy to the top jobs in the colony's civil service.

With the collapse in UK-Chinese co-operation over Hong Kong, Mr Chu says Beijing has been forced to bring forward preparation for the takeover. This was signalled by the formation of the PWC last summer. With the satisfaction of a man who knows he is in the right place at the right time, Mr Chu said: "We are providing the 'advice' for the Preparatory Committee."

The committee's sub-groups now meet virtually every month in Beijing, while the Hong Kong cohort meets at least as often in the colony. It has divided itself into five sub-groups: political structure, economics, security and social welfare, culture, and law.

When Mr Li Peng, China's prime minister, meets Hong Kong advisers at the beginning of next month, another cohort of PWC members might be announced. Its membership is expected to grow, partly to counter the accusation that the current Hong Kong group is made up of plutocrats currying favour with the colony's future landlord, and partly to share the increasing workload.

The strategy of the UK's governor, Mr Chris Patten, over the committee has been to question its legitimacy as a body representative of Hong Kong opinion, and to deny its members access to the government and official information.

Mr Chu admitted that, without the co-operation of the Hong Kong government, the work of the PWC will be more difficult. He likened the enterprise to flying a Boeing 747 without a pilot: "We've got to borrow old manuals and interview retired pilots. But I am fully confident that the 747 will take off without problems."

By contrast, while the colony's Legislative Council wrings its collective hands over how to deal with Mr Patten's democracy legislation, the PWC works on its alternative for Hong Kong post-Patten. This includes "advice" on Hong Kong citizens' travel documents, on the books their children will read in school and on how they will elect representatives to LegCo.

LegCo will vote on the first stage of Mr Patten's democracy proposals this month, probably February 23, and is expected to pass them unamended. Mr Patten will then lob his second bill into the unsure hands of the colony's legislators the following month.

Meanwhile, the PWC proceeds towards its July deadline for producing an outline of Hong Kong's post-colonial political structure. On this issue, it is fairly clear where the committee is heading.

It favours "proportional" representation for the 20 LegCo seats meant to be popularly elected, and small groups of voters for the 30 "functional" constituencies which are to represent business and professional interests.

Mr Patten, though, advocates first-past-the-post elections for the popular poll, and large groups of voters for the functional constituencies.

Mr Chu says proportional representation is the "fairest" way to elect politicians as it would give the "fullest participation in the colony's politics to individuals and parties". Mr Patten demurs. Before he left for Australia last week, he said proportional voting was meant to dilute the strength of pro-democracy groups in LegCo.

Mr Chu says the aim of the committee is to stay close to the LegCo system which existed before Mr Patten arrived in mid-1992. Pro-democracy advocates such as Mr Martin Lee and Miss Emily Lau fail to understand that, in opposing China, they will achieve nothing, Mr Chu says: "I believe that, by acting with finesse, we will get a better deal than by opposing Beijing."

He is dismissive of suggestions that the PWC is an exercise in "united front" tactics by the Chinese Communist party, in spite of the deputy director of the united front department of the party being a mainland member of the PWC. "Whether China is using united front tactics on me I don't care. I'm concentrating on influencing China so that it does good things for Hong Kong."

Dirty tricks campaign claimed by lottery company

By Motoko Rich

GTech, the world's biggest lottery company, claimed over the weekend that it is the victim of a dirty tricks campaign designed to harm its chances of winning a role in the UK's National Lottery.

Bids for the licence to operate the lottery close today. GTech, which has 22.5 per cent of the Camelot bidding consortium, said that it had evidence of a dirty tricks campaign which has been running for two years in the US and it is concerned that it is now facing a similar campaign in the UK.

Mr Craig Watson, a GTech vice-president, said that anonymously sent packages of potentially damaging material about it had been received by newspapers in the UK and US.

Material in the packages alleges that GTech uses questionable techniques to influence lottery officials who award contracts in the US and the politicians who shape US lottery legislation. GTech vigorously contests the allegations and said none had ever been proved.

Its main US competitor, Automated Wagering International, is openly critical of GTech's shrewd lobbying tactics.

However, AWI denied it was operating a smear campaign. Mr Dan Bower, AWI's chairman, said: "I am not aware of any smear campaign that is being run anywhere."

AWI, whose parent company Video Lottery Technologies was recently refused a lottery licence in Quebec, Canada, following allegations that its former chairman did business with convicted criminals, is not part of any of the bidding consortia.

However, it has agreements to supply computer hardware to three of the bidding consortia – Rank Organisation, The Great British Lottery Company and Games for Good Causes.

GTech's preparation for the UK lottery bid included making two submissions to the government between 1989 and 1991 on how any UK lottery should be operated. One of its non-executive directors is the former cabinet minister Mr John Moore, now Lord Moore, although GTech said he was not involved in lobbying.

In the US, it employs lobbyists and political advisers from 24 consulting firms.

There are eight declared bidders for the UK licence.

N Ireland peace hopes are dashed

By Michael Cassell in Belfast

Mr Gerry Adams, the president of Sinn Féin, yesterday accused Britain of "squandering a unique opportunity for peace", adding to growing British government pessimism that the IRA and Sinn Féin will not accept the Downing Street declaration.

In remarks which dashed expectations of an early decision by the republican movement on accepting the declaration as a basis for peace in Northern Ireland, Mr Adams demanded changes in the government's position.

He said that although Dublin had provided some clarification of the declaration, London had "stalled, delayed and refused" to further explain a document which he described a "masterpiece of ambiguity".

He claimed it would be impossible for Sinn Féin to provide a definitive response without more information.

Both London and Dublin have repeatedly insisted that the IRA must end violence before Sinn Féin can join talks on the future of Northern Ireland.

When they meet next weekend, Mr John Major, the British prime minister, and Mr Albert Reynolds, the Irish premier, will be expected to declare their determination to push on with the broad talks process.

Giving no sign of any softening in Sinn Féin's stance, Mr Adams rejected what he described as the unionist veto on constitutional changes in Northern Ireland and insisted London would have to join the "persuaders" in seeking to convince unionists that their future lay "with the rest of the Irish people".

Interviewed on ITV's Walden programme, in which Mr Adams' statements were read by an actor, he called on ministers to go the extra mile for peace: "Unless the British government says to the unionists your future rests with the rest of the Irish people, unless it makes that small step forward, then that government cannot say it is interested in peace."

He said republicans recognised that they needed to have the consent and full participation of unionists in the process but that they did not want the British government "sitting on its hands and blaming and using the unionists as an excuse for inertia".

The coffin of former Irish National Liberation Army chief Dominic McGlinchey, shot on Thursday, is carried by his brother Sean McGlinchey (centre) and Sinn Féin official Martin McGuinness (right)

Mr Adams added: "Let us not squander the opportunity for peace on the rock of either a veto or on the British refusing to join the persuaders."

Mr Adams said that if the British government believed the joint declaration was a basis for a political settlement, then it should be prepared for further discussion.

He said that for the government to talk to Sinn Féin for almost three years when it claimed there were no grounds for a settlement but to refuse to do so now was "absolutely bizarre and bad faith".

Tories resist widening of Malaysian dam probe

By Kevin Brown, Political Correspondent

Senior members of the House of Commons foreign affairs committee are resisting attempts to widen inquiries into links between arms sales and British aid for a Malaysian dam project.

The committee is investigating allegations that aid for the Pergau dam was illegally tied to Malaysian purchases of British arms.

Conservative members of the committee agreed to an inquiry after it emerged that aid was linked to defence sales during initial discussions of the dam project in Malaysia. However, some Conservatives are unhappy about Labour attempts to extend the inquiry to include similar allegations relating to projects in Indonesia, Thailand and elsewhere.

"I am sure that the opposition would like to extract political mileage from it, but I don't think that is going to be the wish of the committee," said a Conservative member of the committee.

The committee has agreed to accept evidence at its next meeting on Wednesday from the World Development Movement, a third world pressure group which claims to have identified a relationship between the aid programme and arms sales. The movement has made repeated allegations about the sale of Hawk training aircraft to Indonesia, which are alleged to have been used to attack civilians in East Timor, a former Portuguese colony controlled from Jakarta.

British Gas customers are targeted

By James Buxton, Scottish Correspondent

Caledonian Gas, the gas subsidiary of Scottish Power, is attempting to become gas supplier to many of the 60,000 households all over the UK which are entitled to choose a supplier other than British Gas.

It is launching a mailing campaign to target British Gas customers who take 2,500 therms or more of gas a year, equivalent to an annual bill from British Gas of £1,120. It will offer them discounts which will more than nullify the 8 per cent value added tax on gas bills which begins on April 1.

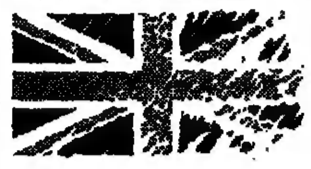
A customer paying £1,120 a year to British Gas is promised savings of about £100.

Since British Gas refuses to disclose the names of its customers to the independent gas suppliers, Caledonian Gas is trying to locate them through a focused mailshot campaign.

The company believes it is the first independent gas supplier to target large domestic users in addition to the commercial and industrial customers who are the independent gas suppliers' main market. It already has a handful of domestic customers in Scotland.

It believes the campaign, covering the whole of Britain, should give it a head start for when the entire domestic market with its 18m customers is opened up to competition from April 1996.

Britain in brief



Lloyd's offer to Names 'likely to fail'

Lloyd's of London is resigned to almost certain failure today in its efforts to reach an out-of-court settlement to legal action involving more than 17,000 Names, the individuals whose assets have traditionally supported the insurance market.

This afternoon is the deadline for loss-making Names to accept a £900m offer.

Mr Peter Middleton, Lloyd's chief executive, acknowledged yesterday: "Unless something very dramatic happens on Monday we'll be short of the value take-up which will enable us to go unconditional with the offer."

Lloyd's has said that at least 70 per cent of the value of the offer will have to be taken up by Names if the deal is to be implemented. It is also unlikely that Lloyd's will decide to extend the deadline to give Names more time to accept the deal, despite an increase in the number of acceptances in the past few days, Mr Middleton said.

If the offer fails, legal actions are likely to begin, starting with one by 3,000 Gooda Walker Names that is scheduled to come to court in April.

Mr Middleton is hopeful that negotiations about a possible out-of-court settlement will eventually be resumed, although he emphasised that this was unlikely to happen before September or October.

Rise in demand for floorspace

A sharp rise in demand from industrial companies has reduced the amount of empty industrial floorspace in the UK for the first time since May 1989.

A survey by King Sturge, chartered surveyors, shows that the amount of available industrial space fell by 1 per cent to 180.5m sq ft in the last four months of 1993. It records a 60 per cent rise in inquiries from potential tenants and buyers in 1993 compared with 1992.

The amount of available space has fluctuated sharply over the past 10 years. The economic upturn in the 1980s reduced supply from its 1983 peak of 177.61m sq ft to a low of 73.17m sq ft in May 1989. It then rose rapidly to peak at 182.17m sq ft last September.

Companies report better outlook

Business confidence among medium-sized private companies is rising steadily, according to a survey conducted by 3i, the venture capital group.

The 3i Enterprise Barometer, which is based on 1,000 companies in the 3i portfolio, has risen over each of the last four quarters to stand at its highest level since the survey started in January 1988.

The balance of respondents believing that the business and political climate is more favourable to starting a business than it was a year ago has increased to 52 percentage points. This was a sharp rise on the 35 points recorded four months ago and is the highest balance since the survey started.

The increased confidence is shared by companies operating throughout the country, although those in the south are more positive.

Drug fines may be increased

Mr Michael Howard, home secretary, will decide this week whether to impose the first increase for 17 years in penalties for possession of a broad range of illegal drugs.

Mr Howard is considering Home Office proposals to raise the maximum fine for possession of class B drugs from £500 to £2,500. The main drugs affected would be cannabis, barbiturates and amphetamines. There are no plans to increase penalties for possession of class A drugs such as heroin and cocaine.

Scotch exports

Sales of Scotch malt whisky to the US rose by 22 per cent last year, Customs and Excise officials say.

Company to act over modem imports

By Alan Cane

A UK-based electronics manufacturer is taking radical action to persuade the government to speed legislation to outlaw foreign made, non-approved computer communication equipment.

Dataflex Design, a leading UK modem manufacturer, said yesterday that it would begin importing and selling "grey", or non-approved, modems on March 1 unless the government took immediate action.

Modems are devices which convert computer messages into a form in which they can be transmitted down a telephone line. It is not illegal to sell grey modems, but attaching non-approved equipment to the telephone network is a breach of the Telecommunications Act.

Sales of non-approved modems from the US and Asia, which cost much less than products put through exhaustive UK testing procedures, have risen sharply recently leading UK manufacturers last year to form a defensive lobby, the Modem Approvals Group.

The government responded by agreeing that over a number of years, legislation would be introduced outlawing non-approved modems.

Skills shortage threatens Welsh inward investment

By Roland Adburgham, Wales and West Correspondent

The success of Wales in winning inward investment is being threatened not only by greater competition but by its lack of labour skills.

This is the finding of a report by the Centre for Advanced Studies at the University of Wales, Cardiff, which describes the vocational education and training system in Wales, as elsewhere in the UK, as "woefully inadequate".

It says the skills deficit is most acute in the craft and technician category. "While the UK has been adept at producing an educational elite, it has manifestly failed to equip generations of young people with the vocational skills which are necessary to sustain a modern manufacturing sector."

Wales, with under 5 per cent of the UK's population, attracted more than 14 per cent of UK inward investment between 1979 and 1991, which helped its manufacturing sector to grow while in the UK as a whole it declined. But the report warns that inward investment is likely to decline sharply during the 1990s.

"Strengthened competition from other regions within Europe, as well as from low-cost locations in eastern Europe and Latin America, coupled with the loss of assisted area status, will make Wales relatively less attractive."

A further handicap is the quality of labour and suppliers.

Alfred Teves, a German automotive components company at Ebbw Vale, is quoted as describing the calibre of electricians and engineers as "absolutely poor".

Robert Bosch, the German components and power tools group at Miskin, near Cardiff, regards its workforce as highly motivated and finds labour costs much lower than in Germany. But managers claim the labour market in Wales, as in Britain, is like a sandwich.

At a higher level, they say, the calibre of personnel is on a par with anywhere in the world, as is the case with semi-skilled or unskilled workers who they consider very adaptable. But they find grave problems at the middle level of manufacturing supervisors.

The report says Sony, the Japanese consumer electronics group at Bridgend, Mid Glamorgan, has been unable to met its apprentice targets in recent years because of the deteriorating quality of applicants.

Sony attributes this to an anti-engineering bias in schools and the wider environment, and because pupils are being encouraged to stay on at school even when unsuited to an academic route.

Sony and Bosch have formed training partnerships with further education colleges and, the study says, other initiatives have been launched to improve vocational skills provision, particularly in engineering. But quality levels among suppliers also need to improve.

"With exceptions, there are simply insufficient firms capable of meeting the exacting requirements of a Bosch, Valeo or Sony," it states. Alfred Teves found Spanish suppliers to be much more enterprising than UK suppliers. French-owned Valeo Wiper Systems at Hengoed, Mid Glamorgan, largely failed to find acceptable suppliers within Wales.

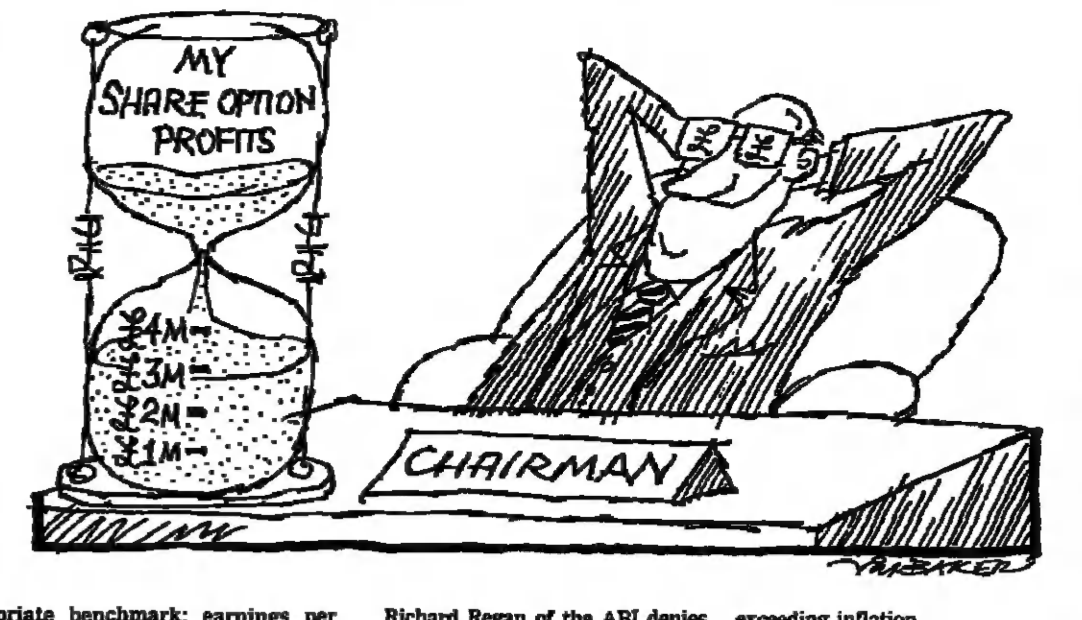
Welsh authorities, the study comments, had done little to redress the vocational skill deficit when content to live with the status of a branch-plant economy. "Goaded into action by the demands of the more sophisticated foreign firms in Wales, and anxious to secure more high value inward investment, they have now set a high premium on vocational skills provision."

The Welsh Renaissance: Inward Investment and Industrial Innovation, Centre for Advanced Studies, University of Wales, College of Cardiff, 33 Corbett Road, Cardiff CF1 3EB. £30.

MANAGEMENT

Lucy Kellaway on how companies are approaching the thorny issue of revamping their executive share options

A fairer slice of the pie



British Aerospace has undeniably done well for its shareholders in the last two years. But whether John Cahill, the chairman, really deserves a £3.2m profit on his executive share options for his role in the recovery is another matter.

Institutional investors have long felt that something is rotten in the way most option schemes are designed, and are preparing for a battle over the need to link them more closely to performance. The very size of the Cahill profit is further grist to the mill for those who believe executive share options have more to do with roulette than rationality.

This year shareholders are faced with a chance to address the problem. Most of the existing 10-year schemes were introduced in 1984 to take advantage of tax breaks, and now have to be renewed.

The occasion is the cause of great controversy. Options matter to shareholders for two reasons. The first is that they are the only part of a manager's overall pay on which investors have the chance to vote; they therefore become the focus for all concerns on the excesses of executive remuneration. Second, they can be worth a lot of money. Sometimes – as in Cahill's case – they are the largest part of the total, but even in less headline-grabbing cases they can still be significant.

A survey published today by Incomes Data Services, the pay analysts, shows the average value of 154 options cashed in recently was nearly £55,000, with the range stretching from £2,000 to £1m.

Nearly all shareholders agree that existing schemes are flawed. Typically, a handful of senior executives are entitled to buy shares (worth up to four times their salary) at today's price in three years' time. If the share price rises, they stand to gain no matter how poor the company's relative performance has been.

Yet there is still disagreement on the best way to go forward. The two main investor bodies, the Association of British Insurers and the National Association of Pension Funds, agree that schemes should be tied to a performance yardstick, but have spent months debating which measure was best. The ABI pushed for earnings per share while the NAPF argued for share price performance relative to the stock market. The compromise reached last summer is that each company should choose the measure that suits it best. Any company which fails to comply runs the risk of having its scheme voted down by shareholders.

Even this solution is not accepted by everyone. M & G, the unit trust group (ironically itself a big institutional investor in other companies), has ruffled feathers recently with its own new scheme which does not include any performance measure at all. Paddy Linaker, managing director of M & G, justifies the move by arguing that it is hard to find an appropriate benchmark; earnings per share can be distorted by accounting changes, and share prices can be skewed by a number of factors including takeovers. Worse, he fears, a benchmark could make the behaviour of mangers short term, could fail to reward companies that have done well in difficult circumstances, or could encourage managers to be reckless in the hope of meeting targets.

Some companies agree with him but cannot follow suit, as unlike M & G they do not have loyal controlling shareholders to vote such a scheme through. "Most companies seem prepared to comply with the guidelines, but without any enthusiasm," says Mark Anderson of New Bridge Street Consultants.

Richard Regan of the ABI denies that companies are reluctant. "Most managements have said Amen to this, because they want their executives to perform." According to Nicki Demby of Arthur Andersen the range in schemes being introduced is enormous. Grand Metropolitan was one of the first to bring in a relative share price yardstick, with options that can only be exercised if the shares outperform the FT-SE 100. BP, meanwhile, has decided to measure itself against the rest of the oil sector. Trafalgar House is leaving it vague, saying that the relevant board committee will decide on the best performance measure closer to the time. The Daily Mail's options scheme is dependent on its earnings growth exceeding inflation.

The most radical plan announced so far is from Reuters, which has decided to scrap its options scheme altogether and replace it with a restricted share scheme. This entitles directors to receive regular instalments of shares so long as the company is performing. The better the company does, the more shares the directors will get. Reuters has chosen to measure its performance against total shareholder returns (share price plus dividend) of the top 100 companies.

"I am trying to make Reuters look at itself in the same way as investors do," says Sir Christopher Hogg, chairman of Reuters. So far the company's plan has been greeted with guarded interest both by other companies and shareholders. There are few precedents for it in the UK and, while in the US restricted shares are commonplace, not many have this sort of performance measure attached to them.

Even Sir Christopher is a little uncertain as to how it will work. "It's suck it and see," he says. He points out that if directors find themselves getting too many or too few shares, the remuneration committee will simply change the rules.

The Reuters scheme is one of the few likely to meet with the grudging approval of one shareholder group, the Pensions and Investment Research Consultants. Last week PIRC wrote to its pension fund clients advising them to vote against all new options schemes unless they were radically altered.

Anne Simpson, a PIRC director, argues that share options are a poor motivator as executives can only gain but not lose money, and that they do not encourage share ownership as executives tend to cash in their gains at once.

Moreover, she complains that executive options are inequitable as they are only open to a minute proportion of the workforce – while the real credit for success should be spread more widely.

PIRC's recommendation that all schemes be voted down unless they are open to all employees is unrealistic. Indeed it would mean that only a tiny handful of companies would be given the go-ahead. However, says Simpson, the aim of the recommendation is not to overturn all schemes now but to keep up the pressure on boards to bear such things in mind as integrity and equity when it comes to setting pay.

Hard news behind the headlines

ITN has revolutionised its staffing policies without industrial action, writes Richard Donkin

In just seven years the resonant tones of Big Ben that start News at Ten have tolled for half the jobs at ITN, the independent television network's flagship news organisation. Behind the headlines there has been a quiet and sometimes painful revolution in the way that its news gatherers work.

The role of Mike Morris, its departing director of personnel and industrial relations, has been central to the achievement of often radical changes without industrial action. When he took over the job in October 1987, ITN had 1,200 specialist staff, many earning City dealing room salaries. While the pressures of change were building up, ITN was protected by statute from competition and seemed to enjoy a secure position within the ITV network.

Now, as Morris starts a new career as director of personnel at the Royal Opera, he leaves a network broadcasting more – but not necessarily better – news coverage from fewer than 600 staff with a broad range of skills.

Demarcation lines are fading as journalists learn technical skills and technicians learn journalism. Neutral job titles such as "news assistants" and "journo-techs" have been introduced to promote multi-skilling, and the numbers and influence of technicians and engineers have dwindled. Traditional pay bargaining has barely survived – last month a number of staff agreed to a pay cut in a ground-breaking deal which saved further redundancies.

The company's pay and staff-cutting polices have reduced ITN's annual pay bill from £42m in 1991 to £26m today. "That doesn't happen by accident. The potential for getting it wrong in a highly unionised atmosphere with a perishable product is pretty high," says Morris.

Achieving the transformation without the confrontation that accompanied innovation in the newspaper industry relied on a combination of shrewd management, good fortune, technological change and new labour laws.

Morris looked first at new ways of making programmes in the US and East Asia before confronting technicians with multi-skilling, a term then unknown in the industry. The trade unions called it "cross-jobbing". "It was not on the agenda as far as they were concerned," says Morris.

Today, technological innovations, such as lighter, automated cameras mean that the normal crew can be just two – one with editorial background and one with technical. Journalists know how to operate cameras and technicians learn editing and writing skills.

Management plans in 1988 to change terms and conditions coincided with a TV-am dispute when technicians walked out on a one-day strike and were never allowed back. It was a sobering lesson for the unions at ITN. National agreements had already been abandoned by the ITV network. "We started with a blank sheet of paper and tried by careful preparation to draw the trade unions into a dialogue with us. By the end of the negotiations they felt as much owners of the plan as we were," said Morris.

The "total pay plan" negotiated that year abolished overtime, perks and old working practices and introduced annualised hours into employment contracts. Negotiators had no scope to buy off the old terms, but they did have the advantage of dealing with people who could not get the same terms and conditions anywhere else.

Until his appointment, Morris says, ITN management had believed programmes could not be broadcast without union co-operation. There was also concern that a confrontation could escalate across the network. During the negotiations ITN made no secret of contingency plans to maintain the service in the event of a strike, which it also made clear would lead to a TV-am-style lockout.

The proposals were only narrowly sold to the three main unions. "What they were voting for was a reduction in terms and conditions. There was no disguising this. They recognised we were very determined," said Morris.

The total pay plan has not gone completely smoothly. The problem of staff finishing their work allocations well before the year end has sometimes needed imaginative reward ideas.

The impetus of change was maintained by the Broadcasting Act of 1990 which introduced greater competition to the industry. Under a new form of ownership, ITN changed from a cost centre to a profit centre exposed to the threat of competition.

As the pressure on costs continued, an across the board pay freeze was imposed in 1991. This year there has been scope for some discretionary pay rises.

While overheads have been pared to the bone, the business is beginning to grow, with additional services such as provision of news coverage for Channel 4's Big Breakfast and the negotiation of a contract with NBC Superchannel.

Mike Morris: made radical changes

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CONCERTS
Schauspielhaus Tomorrow, Wed: Donald Runnicles conducts Berlin

3789)
● Peter Handke's wordless theatre piece, Die Stunde da wir nichts voneinander wussten, is directed

enters the world of modern art to help her husband's social position (City Center, 131 West 55th St, between Sixth and Seventh

except Mon till Feb 27, with matinee and evening performances on Sat and Sun. Darcey Bussell appears as guest soloist in Balanchine's

of Bob Wilson's production of Die Zauberflöte. The Strauss, conducted by Myung-Whun Chung and directed by André Engel, has a cast

and Stravinsky's Oedipus Rex, with Jard van Nes, David Rendall, John Mark Ainsley and other soloists (4581 0630)

A duty to the public good – and a strong balance sheet

Trevor Humphries

THE MONDAY *People* page

GKN's Sir David Lees tells Lucy Kellaway that his intentions for Westland are honourable

The word "hostile" makes Sir David Lees flinch. The ultra-polite executive chairman of GKN does not like to hear his bid for Westland talked about like that.

Images of battle might seem fitting for the unfriendly takeover of a defence company, especially as the last time Westland changed hands two cabinet ministers and their jobs parted company and the government nearly fell in the process.

But Sir David presents his attempt to buy the infamous helicopter company rather differently. Watching him as he sips tea out of a fine china cup in his elegant office very near the Queen Mother's London residence, it is clear that aggression and unpleasantness are just not his style.

GKN, as he tells the story, has been a loyal and supportive shareholder in Westland for five years. Last week it bought the shares of another long-standing shareholder, and as required by stock exchange rules, it dashed out a bid for the rest of the company. The fit is good, the intentions honourable; there is nothing hostile about it, he says.

Yet the fact remains that Westland is fighting hard for a higher offer, and is protesting loudly that GKN does not love it for itself alone, but for its tax advantages.

Sir David deals calmly with the allegation of opportunism. His account stretches back through a decade or more, charting GKN's steady, cautious expansion into defence. He talks about tax and about greater stability of earnings, but also underlines some similarities between helicopters and GKN's armoured vehicles.

But, a reasonable man, he is careful not to push the point too far. "I can't pretend that a Warrior can fly or that helicopters can race along the ground."

Some might say that his bid is opportunist, but none could say it was hasty. Sir David is an accountant by training and does not like to rush into things. In the years he has held the Westland stake, he has done a lot of pensive sitting, and quiet listening. "He takes a long time to make up his mind. But once he makes a decision he's very determined," says a close colleague.

These careful characteristics have stood Sir David, now 57, in good stead so far. In his six years as chairman, and five before that as finance director, he has built up a financially strong company involved in three sectors: motors, industrial services and defence.

He has been a master at cutting costs, and at getting rid of all those loss-making businesses that in the old days made Guest, Keen & Nettlefolds great. In all, it has been a defensive operation, turnover has not grown in real terms, but the quality of the businesses is far better, and the balance sheet stronger.

"I've taken the group through a difficult time, cleaned it up. We've maintained the dividend for shareholders, and the balance sheet is as strong as it's ever been. I'm proud of that," he says.

Sir David has a tidy mind, and wants to stick to the discussion in hand. For instance, last summer he was in a car crash in which he broke six ribs and punctured a lung, but he will not be side-tracked into discussing that, and persists in telling me how well GKN is doing in Japan.

This vision of a civil, cautious man, who is good with numbers, does not capture the whole of him. "Really quite jolly," is how one colleague describes him. He is also a good family man, the sort of bloke who is quite happy kicking a ball about on the lawn of his Shropshire home after Sunday lunch.

More than that, he is public spirited. If you read the list of the external positions he has held (which run to two pages on his cv) and hear the high-minded talk about it, you might think him a bit of a prig.

Yet he avoids that label. He is both modest and direct, looks you in the eye, and answers the question. He does the extra work, he says, both because he loves it, and because he feels it is his duty. "If members of big institutions are not prepared to take the lead, you get a feeble institution and have only yourself to blame. People at the top of companies have a duty. *Pro bono publico*."

His experience at the CBI, where he is chairman of the Economic Affairs Committee and at the Bank of England of which he is a director, has given more insight than most businessmen possess into public life. He is said to be outstandingly good at dealing with ministers and officials: civil but firm.

It does not seem to have gone to his head. "The Bank of England invitation came as a very great surprise. When I was asked to go to see the Governor, I thought there must be some problem somewhere."

His style is distinctly unflashy. He is a member of the sensible school of management – it is no great surprise that he cites Sir Christopher Hogg, with whom he sits on the board at Courtaulds, as a kindred spirit and as someone he admires.

He is no autocrat, and has secured some plain speaking heavies, such as Howard Davies at the CBI, as non-executive directors on the GKN board. He believes in the free market but is repulsed by excess. "I was immensely impressed at how Margaret Thatcher freed up management at the beginning of the 1980s, but possibly society has moved a bit far to the right in terms of materialism."

When invited to criticise his peers for their outrageous pay packets his words are carefully measured. "I accept that market rates have to be paid to get good people. But on the other side of the equation, that must not lead to an excuse for greed."

Sir David says he runs his car for 120,000 miles before he trades it in, and last year waived his bonus because he did not think the group had done well enough for him to merit it. Moreover, no GKN executives travel first class on aircraft. "We do not do this to be hairshirt, but we do what is necessary. I know it sounds pious, but we lead from the top and set an example."

As he sits there, urbane and relaxed, discussing the rights and wrongs of corporate excess, you would never guess that for the last week he has been burning the midnight oil in a high-profile takeover battle – sorry, process – of which he has little experience.

Evidently, he is feeling on top of his job. "If you enjoy it enough, there are bad days. It's like golf. You can play a couple of bad shots, but when you play well, you feel the best in the world."

If he wins Westland, will he feel the best in the world? Once again he is cautious. "There is strategic rationale there. I look forward to a happy and not acrimonious outcome."

Personae . . .

Leng: a rare species for Gatt

Jean-Pierre Leng, who has just been appointed head of the EU's Gatt delegation in Geneva, is a rare species of Eurocrat, write Lionel Barber and Frances Williams.

Unlike many of his senior colleagues who spend their time clambering up the greasy pole in Brussels, Leng has risen to the top of the Commission's diplomatic service via foreign postings.

He has spent the past three and a half years in Tokyo as head of delegation, but he also worked for five years in the mid-1970s in the Commission's bureau in Washington. While he has been with the Community since 1959, his only lengthy stint in Brussels was between 1984 and 1990, when he was involved with textile and steel negotiations, before becoming the director in charge of relations with the US, Canada, Australia and New Zealand.

In the Uruguay Round of global trade talks, which ended last December, the European Commission's negotiating mandate on behalf of the 12 member states was vastly enlarged to encompass trade in services and intellectual property as well as trade in goods, its traditional staple.

In addition to handling trade negotiations on behalf of EU members, Leng's immediate agenda also includes China's bid to rejoin the Gatt and future Gatt work on trade and the environment.

He will also just see in the new, more powerful World Trade Organisation which will replace Gatt and which is expected to come into being sometime between January and July of next year. However, he reaches 65 in September 1996 and hence will have been in harness for much less time than his predecessor, Tran Van Thinh.

A diminutive Vietnamese-born Frenchman, Tran, who was 65 this month, had had an usually long 15-year stint. The antithesis of a grey-faced Eurocrat, he was ebullient and unpredictable, with a strong line in extravagant metaphors.

Highly respected as a skilled negotiator and deal-broker, his farewell speech to Gatt's annual meeting last month combined, in typical fashion, a humorous "ten commandments of Gatt" with a deadly serious proposal for an import levy to finance environment projects in developing countries.

Stenhammar ruffles more feathers

Olof Stenhammar, founder of the options exchange OM and one of Sweden's foremost entrepreneurs, seems to enjoy ruffling feathers at his old adversary, the Stockholm Stock Exchange, writes Christopher Brown-Humes.

SSE executives were less than thrilled when Stenhammar launched his company in the mid-1980s; as they saw it, he was treading very much on their own patch. They are unlikely to be any more enthusiastic about his latest move. OM has bought 13.4 per cent of the exchange – one of the few to have been privatised – and is now its biggest single shareholder.

Stenhammar plays down talk of an eventual takeover, saying merely that the move is a "very good investment". But whether it will result in greater collaboration between the two has yet to be seen.

Stenhammar, 53, showed entrepreneurial tendencies early on, selling plastic swimming pools to fund his university studies. When he moved into the options world – an idea he got while working as a broker in the US – OM was the first privately-owned profit-orientated exchange in the world. In addition to its Swedish activities, the group is very active internationally, including ownership of the OMLX exchange in London.

There is, however, one cloud on the horizon. Stenhammar and two colleagues are currently being investigated by the state prosecutor over allegations of insider trading. They bought a block of shares in OM just three weeks before it announced interim figures last year, shares which promptly rose in value on the day the figures were published.

Stenhammar's defence is that OM is an unusually transparent group, because it reports turnover figures every day, and therefore he didn't know anything more than the market.

One member of Sweden's close-knit financial community says the episode shows Stenhammar's judgment is not what it used to be. For example, when he launched OM, he lined up Sweden's powerful Wallenberg dynasty as shareholders to ensure success.

Noto follows well-oiled path

If the future for the US's oil giants rests overseas, then Lucio Noto looks well qualified to head Mobil, the country's second-biggest oil group, writes Richard Waters.

Noto, 55, takes over the reins at Mobil on March 1, when veteran chairman and chief executive Allen Wallace retires. Unlike other US oil industry chiefs, Noto has spent most of his working life outside of the US.

Mobil is already one of the most internationally active of the big oil groups. Given the diminishing returns from exploration in the US and the high costs of refining there, most oil groups have their sights set on investment overseas, and Mobil is no exception.

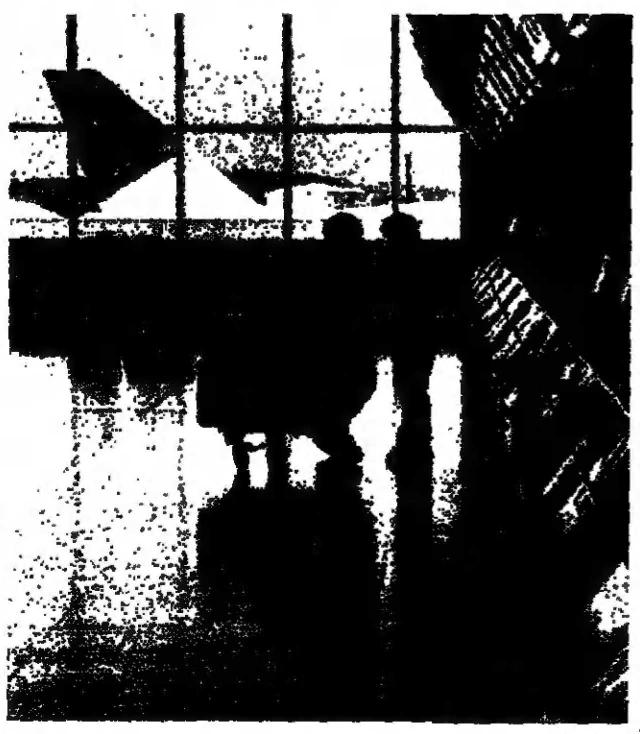
Noto (above), whose parents emigrated to the US from Sicily, is a native of Brooklyn and New Jersey. After joining Mobil in 1962, he held senior marketing and planning jobs in Japan and Italy before running Mobil's operations in Saudi Arabia. During those years, he gained a reputation as both a skilled diplomat and tough businessman.

It was Wallace, with Mobil for 41 years, who brought Noto back to the US in 1985 and prepared him for the top job. He was made head of planning and economics, then chief financial officer in 1989 and president and ceo last year.

BUSINESS TRAVEL

The risk of going that extra mile

Daniel Green on what might happen if all air passengers tried to cash in their offers at once



Colin Beere

BA says: 'We do not give away any seats we think we can sell'

Free airline seats are a perk for the frequent air traveller. But visions of aircraft full of passengers flying for free are beginning to trouble the airlines. How could the airlines cope? Might the cost force them to renege on their free-flight offers, or close down the frequent-flyer programme entirely?

Frequent-flyer schemes are designed to make passengers loyal to a particular airline. They are awarded points – Air Miles in British Airways' case, for example – when they fly. The points can be accumulated and eventually cashed in for free tickets.

Concern has focused particularly on the BA programme. The fear is that the scheme's 3.5m members could swamp the airline's flights if all those eligible requested their free tickets at once.

Such worries are not without foundation. During the 1980s, some US carriers, such as Pan Am, offered ever greater frequent-flyer incentives to passengers. Eventually, holders of free tickets displaced genuine fare payers, hastening Pan Am's descent into bankruptcy.

BA, which started its scheme in 1988, says this cannot happen today. At worst, it concedes, scheme members might not be able to book seats on their first choice of flight. This is already the case for 2 per cent of people asking for free tickets.

The airline is confident nothing will go wrong, because it controls the number of tickets given away on each flight. It and many other airlines have computer programmes that predict how full the flight will be. The results are used to forecast demand, plan capacity and allocate seats to frequent-flyer programme members and to other incentive schemes, such as that run through the UK food retailer, J. Sainsbury.

The principle is simple, says BA: "We do not give away any seats we think we can sell."

In its last full year, BA had a "load factor" – the average proportion of seats filled on its flights – of 66 per cent, a figure that historically is high for any airline. The remaining 34 per cent of seats on its 240 aircraft are available to be offered in incentive schemes.

Last year, Air Miles travellers accounted for only about 5 per cent of these spare seats. Even if all 2m air miles accumulated by scheme members and not yet redeemed were cashed in this year, this would only take 10 per cent of the unused capacity.

Much of this spare capacity, however, is on flights to less popular destinations. The seat you want on a flight to the city where you are doing business might be unavailable.

There are three busy periods when all seats are likely to be taken by fare-payers:

- the first and last flights of the days to business destinations such as Paris and Brussels;
- the first and last flights of the week to long-haul business destinations such as New York and Hong Kong;
- and peak holiday times such as July and August and Christmas.

You may get a free seat on one of these flights, says BA, but it is "likely to be more difficult".

Some of this is in the small print of the frequent-flyer scheme rules, as are other restrictions such as expiry dates on air miles awarded.

But as seasoned business travellers must already have suspected, when faced with the choice of pleasing applicants for free tickets or passengers proffering ready cash, any airline is going to take the money.

JOGGERS' GUIDE: Cairo

Oases for athletes

Tony Andrews

Street wise: determined joggers can find a few places to run, away from the traffic fumes of Cairo

It is possible to jog in Cairo – just. But there are healthier and more pleasant ways of staying fit during a trip to the Egyptian capital than inhaling the clouds of car fumes and tackling its assault-course pavements.

If you are brave enough to do business in Cairo – several tourists have been killed by fundamentalist terrorists, who are also threatening to target foreign investment – then hotel health centres are perhaps the most suitable places to keep in trim.

Among the best of these is the Nile Hilton, Cairo's oldest five-star hotel, on the banks of the Nile. It offers a centre with jogging machines, weights, a steam bath and sauna, all of which can be used by non-residents for E£31 (roughly £6) a throw. The Nile Hilton also has a decent-sized pool, a pair of squash courts and clay tennis courts.

The jogging machines and other fitness equipment in the Marriott Hotel on Zamalek island in the Nile are also well maintained and open to non-residents. There is an adjacent pool and its artificial-surface tennis courts offer about the truest bounce in Cairo.

But if nothing less than a long, outdoor jog will do, there are ways and means, despite the busy chaos of Cairo's streets and lack of parks. An extended run south along the banks of the Nile from the main riverside hotels in central Cairo might offer the fewest hurdles or interruptions, but the route – as with most runs in town – is alongside a busy main road.

This way you will encounter perhaps the most serious deterrent: pollution in Cairo's streets is terrible. According to UN figures, Cairo's 1m cars emit more than 1m tonnes of lead into the streets a year – not surprising given the poor state of most vehicles. Cars are not required to meet any officially tested level of maintenance, and more than 60 per cent are over 10 years old.

The heat and the nature of Cairo's streets mean that the resulting heavy fumes are seldom cleared away by winds. The truly determined athlete might consider wearing a mask.

There are a few oases where a more pollution-free run is just about possible. Probably the best is the Gezeira Club on Zamalek island, opposite the main strip of five-star hotels in central Cairo. An E£10 entrance fee wins access to the biggest green space in central Cairo, which has a battered but serviceable running track and several football fields.

There is even a horse-racing track around the outside, which would offer a good workout – but be ready for a sprint along its southern fringe, which is prowled by packs of mangy wild dogs.

Social runners could join up with the Hash House harriers, who meet two hours before sunset every Friday for runs by the pyramids or in the desert. You can find out where they are meeting by phoning numbers in the back of the widely available Egypt Today magazine. After each run, the Cairo Hash works hard at replacing lost fluids with beer.

Mark Nicholson

Snow man's land

Travellers to Japan today should check the status of their flights before leaving for the airport. The worst snow storm to hit Tokyo and its surrounding areas in 25 years left the country's road, rail and air traffic paralysed yesterday.

Shinkansen "bullet train" services were running slow, airports were crammed with passengers unable to take flights on Saturday and most main highways leading to the capital were closed.

Saturday's storm meant many international flights heading for Tokyo were diverted to Hokkaido in the north. Tokyo's main international airport at Narita was closed and cut off from the capital on the weekend.

Near normality

Transport hubs in the north eastern US returned to near normal yesterday after days of struggle caused by the worst snow storm in more than a decade.

Freezing drizzle and light snow were reported in a wide area from Baltimore to Boston in the early hours of Sunday, but there no hint of any repeat of Friday's knockout punch that paralysed the region with a foot to 18 inches of snow.

All main airports were open, and trains and buses were running on time. Both Kennedy and Newark airports reopened after being closed most of Friday. Spokesmen for big US airlines said that, weather permitting, they hoped those airports as well as Laguardia would be operating normally.

Flight of fancy

Our account last week of travellers' difficulties with airlines requires a correction, according to the Air Transport Users Council, a UK body which represents air passengers' interests.

Mr David Darby, a London patent agent, received cash compensation for his wife and two children after they were bumped off a flight from the US to London.

Mr Darby argued, and Continental Airlines eventually accepted, that compensation was due under European Community regulations because the flight ended in the EC. The Council points out that the regulations apply only to flights departing from the EC.

Mr Darby was entitled to compensation, but that was because the flight originated in the US. Passengers bumped off flights leaving the US or the EC are entitled to compensation. In other countries, compensation is entirely at an airline's discretion.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	7	10	8	5	8
Hong Kong	21	20	21	19	20
London	-2	0	2	6	6
Frankfurt	-3	-2	2	2	2
New York	2	[illegible]	0	2	4
L. Angeles	21	21	20	17	16
Milan	4	3	6	6	8
Paris	-2	1	2	2	4
Zurich	7	-4	1	2	2

Maximum temperatures in Celsius
Information supplied by Meteo Consult of the Netherlands

Hotel prices

Hotel rooms in Osaka are the most expensive in the world, costing an average £166 a night, a Hogg Robinson Business Travel survey reports. Tokyo was the second most expensive city, at £162 a night. Third place was held by New York (£122), followed by Hong Kong (£119), Zurich (£118), Paris (£114) Frankfurt (£111) and Brussels (£109).

London emerges as the surprise bargain: average room rates of £83 put it in 38th place.

Concert

Youthful promise

At the Wigmore Hall Marks & Spencer is sponsoring a three-concert series, "Outstanding Young Artists". The second concert was given on Thursday by the 20-year-old pianist Leon McCawley, who failed to win the Leeds competition last September. The jury was widely thought to have made the wrong choice – especially because McCawley was roughly ten times as creatively illuminating in Beethoven's First as the eventual winner was (his name escapes me) in the "Emperor".

My own vote would have gone, like the BBC-2 viewers' ballot, to the American Mark Anderson – unmatched for "mature range and communicative power", I wrote here at the time. McCawley's virtues were more specialised, though brightly original and winning in the right repertoire. An "outstanding young artist" he certainly is; but his Wigmore recital made one reflect once again that the best thing for most OYAs would be to emerge for public appearances just a few times per year, and then return to private, self-critical development.

The recital's best moments had a true first-water sparkle, above all in four Scarlatti sonatas. McCawley turned period-ornamental passages with rare grace and feeling, as he had done at Leeds in Haydn and early Beethoven. Though he was artfully tender with the *rubato* breaks, he indulged too many of them for the good of Scarlatti's brilliant energy – and he varied them hardly at all in the many repeats.

Instead of more Haydn or early Beethoven, McCawley chose to offer us the last and most monumental of Beethoven's sonatas, op. 111 in C minor. Only in the last generation or two have ambitious young pianists taken to displaying themselves in late Beethoven, like novice conductors undertaking late Bruckner or Mahler symphonies because those are famous test-pieces.

The trouble is that late Beethoven is neither very showy nor outstandingly tuneful. McCawley's op. 111 was sincere and thoughtful, not much more. A fine sense of the near-orchestral muscle in the Allegro, once past a pallid prologue; then some moments of shining simplicity in the Adagio variations, not threaded upon any continuous, compelling purpose.

After the interval he played Skryabin's moonstruck op. 57 pieces exquisitely and bloodlessly (which may be right). The earlier, more robust op. 42 Etudes had sensitive moments, but in no. 1 the tune disappeared altogether.

In Liszt's *Venezia e Napoli* suite, McCawley delivered the gloomy central "Canzone" louder than almost anything else in his programme, and the showpiece fizz of the final Tarantella never accumulated the head of steam it deserves. (Balasz Szokolay, a 1990 Leeds competitor, made something memorably electrifying of it, despite far more fingerslips.) If McCawley were to concentrate for the moment on the rich range of what he does best, that would be far better than trying to stake claims to the whole virtuoso repertoire.

David Murray

Architecture/**Colin Amery**

Heritage of the recent past

Heritage is a flexible word, and some people may be surprised to hear of it being applied to the present century. But at a seminar in London last week, the word was used to describe post-war (the second world war) architecture in England. The seminar was part of a campaign by English Heritage to inspire more public debate about the listing and protection of the nation's post war buildings.

The listing system, which protects historic buildings in England, is an area of contention. Listing does not necessarily protect a building from demolition. But the process can make demolition difficult if planning authorities apply listing regulations with rigour, causing delays and frustrations wherever possible. Sometimes, however, planners let buildings fall down or agree to certificates of immunity from listing in a way that does no credit to the system or to the consistency of bureaucratic judgment.

It takes a partisan architectural historian or a practising Marxist to see merit in many of the concrete towers and crumbling town centres that passed for architecture in the years 1945-1970. It is difficult to find a consensus on the quality of much of the detritus of that period, which was why English Heritage called the conference. It was wise of English Heritage to include in their deliberations not just the naturally biased architects of that generation, but also property developers, engineers and town planners and members of the press and public who care about architecture.

It was English Heritage, under the sometimes inspired chairmanship of Jocelyn Stevens, which initiated a research programme in 1991 to encourage both experts and the public to consider a more systematic approach to listing the architecture of this tricky period.

The most difficult architectural, aesthetic and philosophical judgments are those about the period that is nearest to us. This is just as true when it comes to literature, painting, sculpture and music. Judgment needs the perspective of time.

When the idea of listing buildings began as a result of the 1947 Town and Country Planning Act, the problem buildings were those of the Victorian and Edwardian periods, and nobody was looking at the work of the architects who designed buildings during the reigns of Kings George V or VI.

It was not architects, but writers like the late Sir John Betjeman and Dr Mark Girouard, who encouraged the development of a public affection, sometimes a sentimental one, for Victoriana and Edwardian taste. To date, what listing has supposedly achieved is the recognition of the major architectural creations of all periods up to the recent past.

A building has to be 30 years old to be considered for listing, with the one exception; that of a later building which is considered outstanding, if it is in grave danger of demolition or irrevocable alteration.

In 1970 that great lister of the buildings of England, Sir Nikolaus Pevsner, identified the first 50 inter-war buildings to be listed. Today there are more than 600. It is his legacy of thoroughness that inspires the researchers of English Heritage.

The most difficult architectural, aesthetic and philosophical judgments are those about the period that is nearest to us

Some 750 post-war schools, colleges and universities were carefully examined and last year the Secretary of State for National Heritage accepted the recommended final list of 95 separate educational establishments.

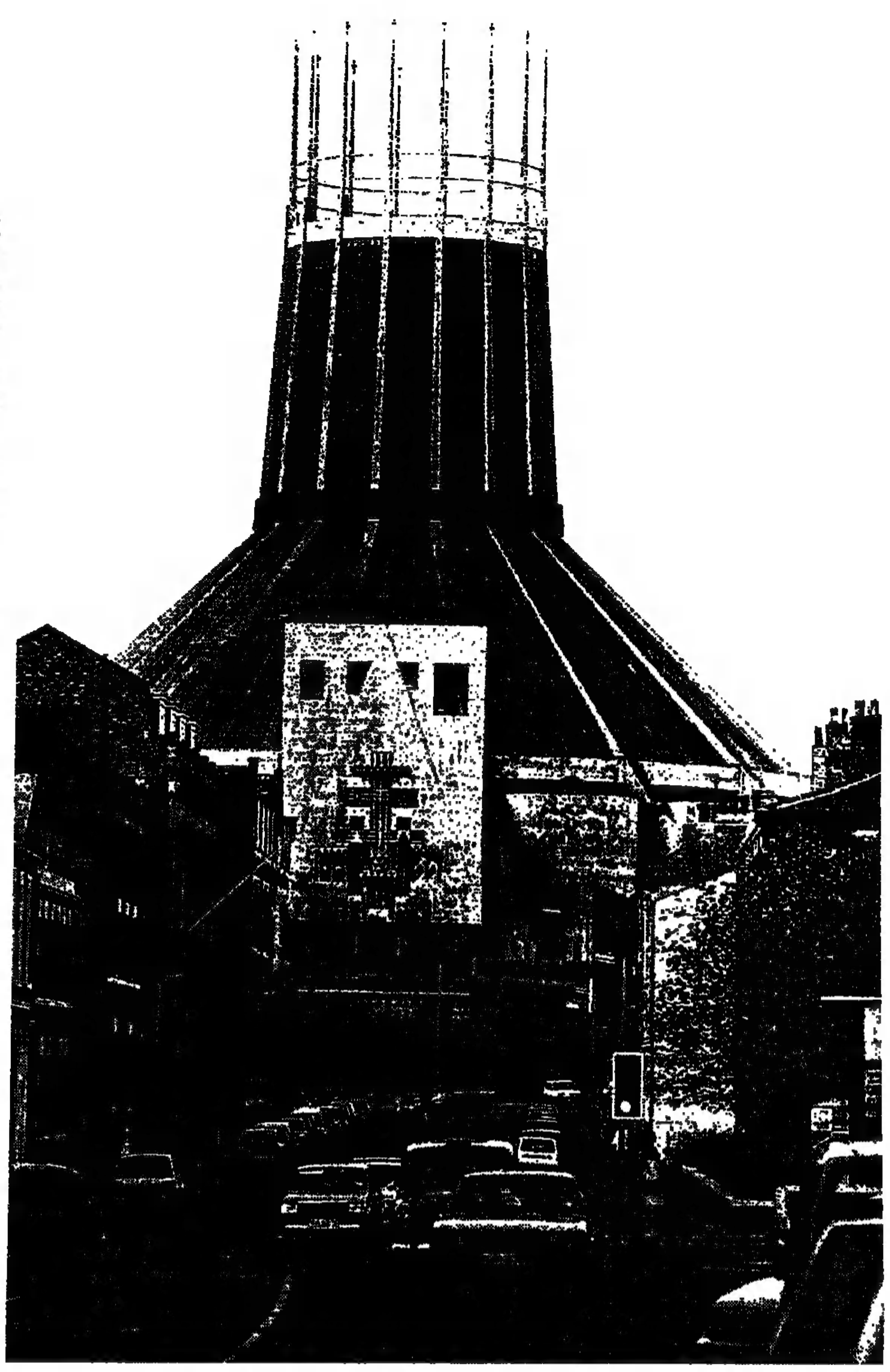
It is a fascinating, if controversial, list which includes three schools designed by the pioneering Hertfordshire County Council in the late 1940s and early 1950s. These are schools redolent of the brave new world that was about to emerge through the policies of the welfare state. They are the antithesis of the cosy Victorian village schools; they have large windows, colourful panels and that sense of perpetual sunshine that was to enlighten our post-war children. I was a post-war child and I well remember that strange mixture of excitement and disappointment when I was transferred from an Edwardian citadel of learning, with its copper domes and rows of arched windows, to a naked and pristine new box unrelieved by any aspirational ornament.

There are some horrors on the educational list that are no doubt historically important, like the school at Hunstanton in Norfolk by Alison and Peter Smithson; the first but not, sadly, the last Brutalist school. James Gowan and James Stirling's Leicester University Engineering Building, in all its angular red glory, is now a listed building as an original pioneer of British High tech architecture. Sussex University by Sir Basil Spence, England's first post-modernist architect, is now an elevated Grade I monument. That distinction rightly belongs also to St Catherine's College, Oxford, by the Danish master of modernism Arne Jacobsen.

There are other types of buildings on the first major post-war list – Coventry Cathedral by Sir Basil Spence and, as of last week, the Roman Catholic Cathedral of Christ the King in Liverpool, designed by Sir Frederick Gibberd. That great adventure in reinforced concrete with its staggering parabolic curved roof, the 1952 Stockwell Bus garage for London Transport by the architects Adie and Button, is now a starred Grade II.

Public housing from the post war period is a very dicey area. So often the idea is significant, but the quality of execution and maintenance leaves a lot to be desired. Tower blocks like the Trellick Tower by Erno Goldfinger and the "cluster" block, Keeling House in Bethnal Green (now in decay and more or less uninhabited) by Sir Denys Lasdun are on the list as cynosures of a particular moment of social housing.

An exhibition of some of the grand ideas and failed ambitions of the post-war period will tour the country to encourage more public involvement in the listing process. It can be seen in the City of London at 125, Cutler's Exchange, Houndsditch from 16-25 of February under the winning title: "Age of Optimism". It is worth seeking to enter the debate. After all, anyone can write to the Secreary of State for National Heritage to suggest a candidate for listing. It is all much too important to be left to architects.



Recently listed – the Roman Catholic Cathedral of Christ the King, Liverpool

Opera/**Max Loppert**

Chamber-sized Turandot in Cardiff

A "coming-of-age fable"? This is not the answer many opera-lovers would give if faced with the riddle of categorising *Turandot*. Puccini's final opera, conventionally treated as fantastic fairy-tale spectacle, has frequently been agonised over by tender-hearted liberals on account of the monstrously violent view of male-female relationships expounded at its core. Given the character of Liu's death and Turandot's eventual submission, the idea that the piece could ever be staged to embody positive, even PC values – to represent a "developing personality moving toward fruition" – seems improbable.

The above quotations are extracted from a Welsh National Opera programme-book interview with Christopher Alden, producer of the company's new *Turandot*. Fortunately, his show proves itself a much sharper, snappier framing of the argument than in advance I could have believed possible: not *completely* successful, in truth, but replete with a decisive, individual brand of theatricality that adds new zest to one's experience of the whole work.

Alden – twin-brother of David, whose ENO *Mazeppa*, *Masked Ball* and *Ariodante* have provided London opera-goers with some of their most celebrated deconstructionist splendours (or, according to taste, miseries) of the last decade – uses the limitations of the Cardiff New Theatre stage-space and the in-built restrictions of WNO production scale to make this a chamber-sized *Turandot*, in which startlingly beautiful stage feats are accomplished with streamlined simplicity. Brilliantly designed by Paul Steinberg, the set is an enclosing curve of purple corrugated iron, marbled in patterning, and capable of reflecting and enriching the bold variations of storybook costume-colour and lighting in which each narrative shift is signalled.

Replete with a decisive, individual brand of theatricality that adds new zest to one's experience of the whole work

The China thus summoned up is a curious dream-world blend of antique ritual and rigid Maoist regimentation (the three masks seated at bright red desks and typewriters, the tiered chorus in white school-shirts and black ties). At its best this novel evocation of Gozzi-via-Puccini is full of clean-cut, witty imagery; at other times it is too obviously reliant on the slow-motion parading and floor-level trailing of identikit-surrealist modern opera production.

The concern to humanise both main characters and to treat Liu and Timur as Jungian "guiding shades" is not comprehensively carried through – how could it be, since it is not what Puccini intended? And withal, the freshness of the approach and the wholehearted commitment of all its executants certainly plead tolerance of the attempt.

Saturday was one of the WNO Chorus's best evenings in years. It was also a good outing for the company's casting department: worthwhile newcomers (such as Anthony Stuart Lloyd, the soft-grained young Timur) and company regulars (David Barrell, the drily skilful Ping) in smaller parts, an interesting choice of principals. Mary Jane Johnson's singing of Turandot may be an acquired taste – notes simultaneously hard and curdled mingle with powerful, radiant ones – but her presence is exactly judged; Edmund Barham's first Calaf, very well studied, lacked his usual forceful projection (an unannounced cold?); in her British debut the American Patricia Racette, a soprano at once vibrantly emotional and subtly reticent, gave Liu's music more definition than anyone else on stage.

The disappointment was the conducting of Carlo Rizzi, who unfolded some parts of the score with sparkling precision, rushed, flubbed and fumbled others, breathed too little air into the panoply of exquisitely finished nocturnal sonorities, and generally gave the impression of *not* having focused an "all-through" interpretation of the opera. When he has, this will be a *Turandot* of unusual distinction.

Welsh National Opera: in repertory in Cardiff, Birmingham, Southampton and Bristol until April 22

INTERNATIONAL

ARTS GUIDE

■ BERLIN

OPERA/DANCE

Deutsche Oper The main event this week is the revival on Sun of Otello with Reneé Kollo and Julia Varady (repeated Feb 24, March 1 and 4). Christa Ludwig bids farewell to the Berlin stage on Thurs in Elektra, in which she sings Klytämnestra. Repertory also includes Macbeth, Un ballo in maschera, Aribert Reimann's 1992 Kafka opera Das Schloss and an evening of John Neumeier choreographies (341 0249)

Staatsoper unter den Linden Final performances of two Gluck productions - Alceste and Iphigénie en Tauride - are on Sat and Sun in French-language productions staged by Achim Freyer and conducted by Martin Hengelbrock. Repertory also includes Der fliegende Holländer with Mara Zampieri singing her first performances as Senta (200 4762/ 2035 4494)

CONCERTS

Schauspielhaus Tomorrow, Wed: Donald Runnicles conducts Berlin Staatskapelle in works by Mozart, Britten and Shostakovich, with tenor Keith Lewis and horn Sebastian Weigle. Thurs, Fri, Sat, next Mon: Michael Schoenwandt conducts Berlin Symphony Orchestra in Friedrich Kuhlau, Elgar and Richard Strauss (2090 2156)

Philharmonie Tomorrow, Wed: Günter Wand conducts Berlin Radio Symphony Orchestra in Beethoven's First and Third Symphonies. Thurs: Gidon Kremer and Martha Argerich play works for violin and piano by Beethoven. Fri, Sat, Sun morning: Claudio Abbado conducts Berlin Philharmonic Orchestra in works by Musorgsky, Prokofiev and Tchaikovsky, with violin soloist Maxim Vengerov. Feb 23, 24, 25: James Levine conducts Zemlinsky and Sibelius (2548 8132)

Ernst-Reuter-Saal Sun: Petr Altrichter conducts Prague Symphony Orchestra in works by Smetana and Dvorak (4177 8020)

THEATRE

● Botho Strauss' Das Gleichgewicht (Equilibrium), the latest play by Germany's leading contemporary dramatist, receives its German premiere on Sat at the Deutsches Theater, directed by Thomas Langhoff. Premiered at last summer's Salzburg Festival, it is set in Berlin and examines some of the unsettling personal undercurrents in modern German life (2844 1225)

● Theater am Kurfürstendamm's award-winning production of Neil Simon's boulevard comedy Sonny Boys runs daily till March 20 (882 3789)

● Peter Handke's wordless theatre piece, Die Stunde da wir nichts voneinander wussten, is directed by Luc Bondy at the Schaubühne, with a cast of 15 actors and dancers from France, Spain and Britain, alongside 25 members of the Schaubühne ensemble. The production will visit this summer's Edinburgh Festival (890023)

■ NEW YORK

THEATRE

● Angels in America: Tony Kushner's epic two-part drama about religion, sex, Aids and corrupt politics. Part one is Millenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)

● Four Dogs and a Bone: John Patrick Shanley's comedy about movie-making and power plays in Hollywood was one of off-Broadway's biggest hits last autumn (Lucille Lortel, 121 Christopher St, 239 6200)

● Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of authors trying to write a new show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100)

● No Man's Land: Harold Pinter's drama about two people who exchange bitter views in a well-ordered but hostile home. Cast features Christopher Plummer and Jason Robards (Roundabout, 1530 Broadway at 45th St, 869 8400)

● Three Birds Alighting On A Field: Timberlake Wertenbaker's satirical comedy, directed by Max Stafford-Clark, about a woman who enters the world of modern art to help her husband's social position (City Center, 131 West 55th St, between Sixth and Seventh Avenues, 581 1212)

● Heartbreak House: Shaw's drama, set in England on the eve of the first world war, about people so saturated in pleasure that they have lost purpose. In repertory with The Brothers Karamazov, David Fishelson's adaptation of Dostoyevsky (Bouwerie Lane, 330 Bowery at Bond/Second Streets, 677 0060)

● She Loves Me: the 1963 Bock, Harnick and Masteroff musical is a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307 4100)

OPERA/DANCE

Metropolitan Opera Tonight: first performance this season of La fille du régiment (in repertory till March 10). Harolyn Blackwell has taken over the title role from Kathleen Battle, who was dismissed by the Met last week after being accused of unprofessional behaviour during rehearsals. Tomorrow, Fri: David Atherton conducts Colin Graham's new production of Death in Venice with Anthony Rolfe Johnson and Thomas Allen (till Feb 26). Wed, Sat: Le nozze di Figaro with Renée Fleming, Marie McLaughlin, Susanne Mentzer and James Morris (till Feb 24). Thurs: Aida with Sharon Sweet and Michael Sylvester. Next Mon: Kent Nagano conducts Dialogues des Carmélites. March 2, 5, 9, 12: Domingo sings Stiffelio (362 6000)

State Theater New York City Ballet's winter season runs daily except Mon till Feb 27, with matinee and evening performances on Sat and Sun. Darcey Bussell appears as guest soloist in Balanchine's Agon on Wed. Repertory includes new works by Peter Martins and Richard Tanner (870 5570)

CONCERTS

Avery Fisher Hall Tomorrow: Kurt Masur conducts New York Philharmonic Orchestra in works by Schnittke and Bach. Wed: James DePriest conducts Julliard Orchestra in works by Morton Gould, Brahms and Lutoslawski. Thurs, Fri afternoon, Sat, next Tues: Valery Gergiev conducts NYPO in Rimsky-Korsakov, Berlioz and Musorgsky/Ravel. Fri: Leon Botstein conducts American Symphony Orchestra in US premiere of Schnittke's Faust Cantata. Sun afternoon, next Mon evening: Yevgeny Svetlanov conducts Russian State Symphony Orchestra in two programmes of Russian music (875 5030)

Alice Tully Hall Wed: Marilyn Horne is mezzo soloist with Tokyo Quartet in programme including Barber's Dover Beach. Sun afternoon: Neil Rosenshein and Rudolf Firkusny in a programme of Czech songs. Sun evening, next Tues: Josef Suk and friends in Czech chamber music (721 6500)

Carnegie Hall Fri: Seiji Ozawa conducts Boston Symphony Orchestra in works by Messiaen and Mahler (247 7800)

■ PARIS

OPERA/DANCE

Opéra Bastille Repertory for the next three weeks consists of a new production of Salome and a revival of Bob Wilson's production of Die Zauberflöte. The Strauss, conducted by Myung-Whun Chung and directed by André Engel, has a cast headed by Karen Huffstodt, Leonie Rysanek and Monte Pederson. The Mozart opens on Wed and runs till March 13, with Manfred Hemm, Janice Watson and Laurence Dale. Amanda Roocroft gives a song recital on Thurs (4473 1300)

Opéra Comique Final performances of Robert Carsen's production of Britten's A Midsummer Night's Dream, conducted by Steuart Bedford, are tomorrow and Thurs, with cast headed by James Bowman and Lillian Watson (4286 8883)

Palais Garnier Ballet de l'Opéra de Paris has a Nijinski triple bill till Feb 26 (4742 5371)

CONCERTS

Théâtre des Champs-Elysées Tonight: Simon Rattle conducts Orchestra of the Age of Enlightenment in symphonies by Mozart and Schubert. Tomorrow: Antonio Pappano conducts Orchestra and Chorus of the Brussels Monnaie in concert performance of Verdi's Otello, with cast headed by Giuseppe Giacomini, Gregory Yurisich and Charlotte Margiono. Wed: Frederica von Stade song recital. Thurs: Charles Dutoit conducts Orchestre National de France in works by Liszt, Paganini and Schumann, with violin soloist Sarah Chang. Sun morning: chamber music programme with violist Kim Kashkashian and Keller Quartet (4952 5050)

Salle Pleyel Wed, Thurs: Semyon Bychkov conducts Carlos Roque Alsina's Second Symphony (1992) and Stravinsky's Oedipus Rex, with Jard van Nes, David Rendall, John Mark Ainsley and other soloists (4561 0630)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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NBC/Super Channel: FT Reports 1230.

TUESDAY
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WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Samuel Brittan

The enigma of the UK output gap

Inflation may be a monetary phenomenon. But bank notes do not rush off on their own account into the shops to bid up prices and wages. Some transmission mechanism is required.

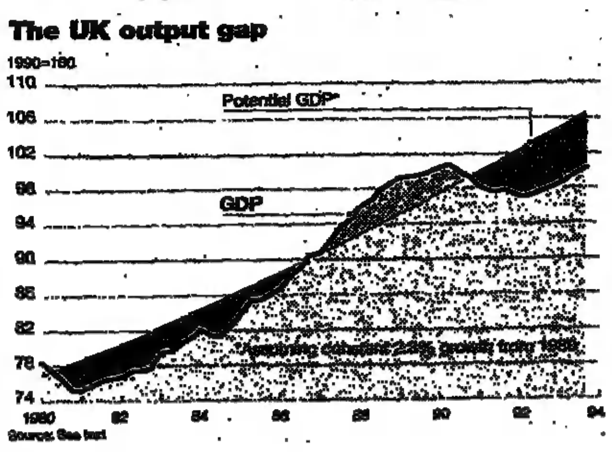
One of the most important of such mechanisms works through the gap between actual output and productive capacity. A small gap means the economy is working flat out and that firms are willing to pay more to attract workers and are able to edge up profit margins. When the gap is large, wage inflation will decelerate and margins will come under pressure.

In the 1950s and 60s, available labour was regarded as the main constraint on output, and the gap was estimated from the difference between actual unemployment and some definition of reasonably full employment.

Since then, there have been two big changes in how the capacity gap is viewed. First, the proximate constraint on output is now plant and business capacity, rather than labour. Secondly the size of the gap which policymakers have to tolerate can no longer be determined by some view of desirable output or employment levels. The gap is too low when inflation begins to accelerate; and something then has to be done to ease demand.

How much effective spare capacity is there in the UK in that case? The Bank of England has given a range of 3 to 7 per cent and the Treasury suspects that the true figure is nearer the top of that range. Indeed, a gap of nearly 6 per cent emerges from projecting the trend rate of economic growth of 2¼ per cent per annum from the end of 1990, when the economy appeared to be in balance with neither too much nor too little pressure of demand.

David Walton argues in the February Goldman Sachs *Economics Analyst* that the true gap is much smaller – between 1¼ and 3 per cent. This could have great practical importance, if it meant that growth could not continue for much longer above trend without the government having to put on the brakes.



Walton reaches this conclusion by using the Central Statistical Office index of cyclical indicators, a method he admits to be highly unreliable, with biases which he tries to correct. The Bank of England makes a case in its new inflation report that there is more unused capacity than City analysts suppose. There are signs that the scrapping of capital has been less than in the last recession. Moreover, the recession was concentrated in areas such as services and contracting, where fixed capital is less important. It will, therefore, have done less than past downturns to reduce supply potential.

Walton in fact doubles back on himself by arguing that his own very modest estimate of excess capacity is not a reason for holding down economic growth. As he remarks, firms which say they are working near capacity can often still make use of extra workers – and, indeed, install new capacity.

Thus, in the end we come back to the labour market and the question of the minimum rate of unemployment consistent with non-accelerating inflation (our old friend the Nairu). Econometric estimates are not much use here if they vary, as the Bank of England tells us, from one million – which allows plenty of headroom for above-trend growth – to near the current 2.8m, which would not leave much gap to fill.

Amidst this welter of concepts without good numerical estimates, there is one thing we do know. This is that, whatever the output gap, it is narrowing smartly. We know this from the combination of the unexpectedly sharp fall in unemployment and other labour market indicators, and from business survey evidence.

We can also be reasonably confident of one theoretical point. This is that underlying inflation depends not only on the size of the output gap but on the rate at which that gap is changing. When the gap is already shrinking – and there is thus no real need to worry about the strength of the recovery – why take risks with a clumsy base rate cut? *Forecasts* about the effects of tax increases in a financial year which has not even started cannot be a sufficient reason.

No doubt, many of the financial market operators who responded badly to the base rate cut had never heard of the output gap or the Nairu. And by last Friday they had a more familiar misleading knee-jerk indicator to react to, in the shape of one month's trade figures. But, abstracting from all the froth, they did have deeper reason to worry that there was something not quite right about the way the base rate decision had been taken.

Things threaten to fall apart

A failure of political will endangers South Africa's transition to democracy, says **Patti Waldmeir**

Will we, five or 10 years from now, look back on the events of the past few weeks in South Africa and say: That was when it all started? That was when South Africa's dream of a stable, prosperous, multiracial nation turned to ethnic nightmare?

Every South African, every international investor, every foreign government – everyone with a constructive interest in the African continent – must hope that scenario is mere hysterical fantasy. Many believe it is: they argue that the far right's support is minimal and the strength of the military overwhelming; that South Africa's security forces can crush violent dissent from the black and white right, which have vowed to resist April's all-race elections and missed their final chance on Saturday to register for the poll, so casting doubts over whether a poll can be conducted in all parts of the country.

But if no one can quite believe that South Africa could join the list of ethnic horror stories of our time – it is a fate too ghastly to contemplate – the country's politicians have yet to demonstrate the will to avert such an outcome.

The collapse of trilateral talks between the government, the African National Congress and the rightwing Freedom Alliance illustrates a spectacular failure of political will on all sides. A deal was within reach which might have brought at least a large proportion of the white far right and the Zulu-based Inkatha Freedom Party into elections, consolidating the centre and leaving only the lunatic fringes in violent opposition. But in the end, South Africa's politicians failed to reach out and take it.

It is easy to heap most of the blame on Inkatha leader Chief Mangosuthu Buthelezi: he shouts at journalists, insults ambassadors, exasperates businessmen and, in the words of political columnist Ken Owen, of the Johannesburg Sunday Times, "has alienated his democratic friends, here and abroad, by petulant quarrels . . . surrounded himself with eccentric foreigners and sycophants . . . (and) drifted into shabby alliances with bantustan leaders and rightwing racists" – among them Eugene Terre'Blanche, leader of the Afrikaner Resistance Movement (AWB). Chief Buthelezi is his own worst enemy.

But if his behaviour is outrageous, his demands for constitutional change are not: one can question his motives, his reliability as a negotiator, his willingness to contest free elections. But his basic constitutional demand is far from unreasonable: he wants a federal South Africa, arguing that such a model would best cater for one of most ethnically fragmented societies on earth.

No issue is so central to South Africa's future: will the political system guarantee ethnic minorities real power, or relegate them to the role of permanent, impotent opposition? Every democracy is, in some sense, the dictatorship of the majority. But can South African democracy survive if the constitution creates permanent losers, who can never hope to rule? Can it prosper if a significant minority of the electorate rejects the legitimacy of the constitution.

Federalism would offer regional minorities, such as the Zulus, a chance to secure a political base, and use it to keep the majority – ruling from the centre – in check. But the ANC is suspicious of this argument: for its goal has always been to create a colour-blind South Africa where ethnicity is subsumed in a single nationhood. (Afrikaner Volksfront leader General Constand Viljoen mocks this, saying nations cannot be built "like you make instant coffee": a little black, a little white, a little bit of coloured . . .)

Still, the ANC seems willing to accept the need to accommodate Afrikaner ethnicity. For though it is easy to dismiss the white far right as neo-fascist racists, the ANC accepts that some ordinary decent Afrikaners also want a homeland, or *volkstaat*. Indeed, though the deal has since fallen through, the ANC agreed in principle to establish such a *volkstaat* after the elections, with a separate Afrikaner chamber in parliament to work out the details. But when it comes to assuaging Zulu fears of domination, the ANC draws the line: they believe Chief Buthelezi's only goal in arguing for federalism is to perpetuate his power in a tribal state called KwaZulu.

Mangosuthu Buthelezi (left) has some shabby allies, such as AWB leader Eugene Terre'Blanche (right), but a plausible case

While they are prepared to allow the Zulu King Goodwill Zwelithini to remain a symbolic monarch under Natal's new constitution, they refuse Chief Buthelezi the strong provincial powers he demands. It is almost as though the ANC accepts that whites may fear blacks – but that blacks may not fear other blacks. Yet the history of African decolonisation suggests the highest price is usually paid by Africans.

Can democracy survive if the constitution creates permanent losers?

So, after 2½ years of stop-start constitutional negotiations, the gulf between the rightwing and the ANC remains as wide as ever. The ANC believes it needs a strong central state to carry out its sacred charge: to empower blacks economically, after centuries of deprivation. And the right wants regional autonomy to protect itself if the ANC uses that central power to oppress rather than to uplift.

Yet even some ANC officials believe the party did not try hard enough to accommodate the Freedom Alliance. It could have conceded marginally greater powers to regions, including limited regional taxation, and offered to entrench these powers in the final constitution. Such a deal was on the table, agreed between the Freedom Alliance and government last year, but the ANC rejected it. In the end, the ANC made a purely tactical offer: two ballots, but nothing on regional powers. They won the tactical battle, but lost the moral high ground.

"I put myself 10 years down the road and I say: should we have been so stubborn on this and that? Was it worth it?" asks one ANC official. His concern is echoed by a government negotiator: "Is the ANC really prepared to accept a civil war to ensure central government has overriding powers on health policy?"

Even now, it is not too late to avert this grim prospect, whatever legal deadlines have passed. Parliament could retroactively extend the election registration deadline. Creative solutions could be found to allow last-minute participation, but only if parties find the will to reach real agreements, and not just move deadlines. At least all parties say they are still committed to negotiations, and have stopped short of an overt call to violence.

There is a chance that the white far right could yet be persuaded to participate: both the ANC and AVF tried hard to do a deal, and may yet succeed. But the breach with Inkatha appears permanent. Inkatha negotiator Ben Ngobane accuses the ANC of "sacrificing national unity for power"; it is far from clear that the ANC is willing to reverse that order of preference.

Either way, April's elections will almost certainly go ahead, however violently the right resists. Government officials vow that they will be "ruthless" in suppressing dissent (with full ANC support). As one government official says: "If the fight is on, then it is on. We will act with full force right at the beginning and wipe them out."

But one can be forgiven for wondering whether the right – the Zulu *impis* (war parties) and conservative whites with military training and access to commercial explosives from the mines and, possibly, to larger arms from military armouries – can be crushed so easily. Neither is a majority, even within their own ethnic group; but each, and especially both together, can cause havoc through sabotage and terrorism, and a sharp increase in serious township violence.

Ben Ngobane warns: "The constitution should reflect the diversity of South Africa. If it does not, there is every chance that there will *be* no new South Africa." Dr Ngobane is almost certainly wrong. The new South Africa will be born on schedule; but it could prove less stable, prosperous and democratic than seemed possible only months ago. South Africa's politicians can step back from the brink – but first they must find the will to do so.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Know what I mean?

From Mr Thomas D Fuller.

Sir, It was surprise and pleasure that I took notice the headlines, "Japan agrees stimulus deal" (February 9) and "Nato agrees air strike threat" (February 10). Now, I had regarded myself the only one who thought badly prepositions and proposed that they be done.

These pesky words are a disgrace the language. They are susceptible misuse everyone, and frequently get the way comprehension. We do not have to put this confusion. By dropping them our vocabularies, we see how easy it is get one's meaning and make do less space well; and I will argue vigorously anyone who disagrees me. Their elimination also allows one dispense the cumbersome rule that one should never make use a preposition end a sentence.

Keep the good work! Long, I trust, I shall be able think pleasure and admiration the famous soliloquy Hamlet: "Be or not be, that is the question."

Thomas D Fuller,
6 Avenue Constant Coquelin,
75005 Paris, France

Sinister note

From Mr M S White.

Sir, The statement by Sir Robin Butler, head of the Home Civil Service, to the Scott inquiry will be given a sympathetic hearing by many who agree that the reporting may have pre-judged the issue ("Civil service head asks Scott to 'undo damage' of inquiry", February 10). Unfortunately, the statement includes a remark which appears most sinister in its implications.

Sir Robin claims that "the victims (the civil servants) are often middle-ranking officials who could not have expected to be thrust into the limelight". Does he mean that they did expect not to be found out? Or is he perhaps claiming safe haven for them because they were only following orders?

From time to time even middle-ranking officials have to take courage, stand up and be counted, preferably long before the matter comes to public inquiry.

M S White,
19 Statham Close,
Luton, Beds LU3 4EJ

Justifiable way to boost exports

From Mr A K Goldsmith.

Sir, In your editorial, "Arms and the dam" (February 8), you urged MPs investigating the Pergau project to consider also more general questions about the purpose of the aid budget, and whether it should be used to boost non-military exports. British contractors working in international markets would welcome a public discussion of these issues.

Our main competitors have no inhibitions about using bilateral aid to promote their own exports. Britain has for many years given less bilateral aid, both in value and as a proportion of total aid, than any of its main competitors. This is a handicap for British contractors, and for the large network of suppliers and subcontractors throughout the UK which depend on them.

The Aid and Trade Provision (ATP) was set up in 1978 specifically "to finance sound development projects in circumstances where British firms were having to contend with aid-backed offers from their competitors". It is an internationally-recognised form of aid, covered by stringent OECD guidelines, and currently accounts for less than 5 per cent of the total Overseas Development Administration budget. It has enabled a number of sound development projects in Asia and Africa to go ahead which would otherwise not have done so, to the benefit of their economies and of our own. We believe it would be in the interests of the taxpayer for more of our aid budget to be spent in this way, and we are more than willing to participate in public debate on this issue.

A K Goldsmith,
director general,
The Export Group for the Constructional Industries,
Kingsbury House,
15-17 King Street,
St James's, London SW1Y 6QU

Crackdown on fraudsters should be intensified

From Mr Martyn E Jones.

Sir, The status of the City of London as the premier global financial centre is one of the UK's most important assets. However, this position is at risk because large fraud is a growing problem.

Recently, there have been initiatives by the government, the Securities and Investments Board and the accounting institutes to increase the detection rates of fraud. These initiatives are to be commended and should result in some increase in the level of detection of City fraud and abuse. However, they are not enough – prevention is better than cure.

Touche Ross believes that there is further scope to crack down on fraud. Fraudsters are tempted to deceive auditors and regulators because the laws in this area are weak and not being enforced as vigorously as they should be – there is no effective deterrent. This problem can be overcome by making knowingly deceiving an auditor or regulator an arrestable offence with a maximum custodial sentence of five years. Also, any person who commits such an offence should be made liable (without indemnification from any other party) for any losses that arise. We believe that more prosecutions focused on such an offence would be a useful deterrent not only for would-be fraudsters but also for their cronies and subservients whose participation is usually essential to perpetrate a large fraud. It would also result in a tougher and quicker system of prosecution and trial which provides better value for money.

Toughening up the law on deceiving auditors and regulators could have another useful effect. Because big fraud usually involves deceiving auditors or regulators or both, tougher laws in this area could open the way to some deregulation of City rules and regulations, many of which are directed towards more minor abuses. By removing some of these rules and regulations, the war against fraud would be better focused and could even help London enhance its global position by reducing the burden on honest businessmen who would have nothing to fear from new laws in this area.

Ultimately, what matters most is that fraudsters should be made to pay dearly for the damage that they inflict on their victims. Those facing fraud charges should not receive legal aid while continuing to live the "life of Riley". It is time we cracked down on fraudsters and stopped them hurting their victims, who are often the weakest members of society.

Martyn E Jones,
national audit technical partner,
Touche Ross & Co,
Hill House,
1 Little New Street,
London EC4A 3TR

No sign of evidence

From Mr Barry Reamsbottom.

Sir, If public service minister, William Waldegrave, has evidence to show that market testing has led to savings of 25 per cent, together with improvements in the quality of 1 in 3 of the services tested, why does he continue to refuse to publish a single piece of evidence to substantiate these claims? ("Public work totalling £1.1bn put out to tender", February 8).

Only recently, a whole series of obviously co-ordinated parliamentary answers from each department of state refused to give MPs any information on the level of savings that had accrued from their market testing programmes. Each answer was also carefully worded to indicate that, while at some point in the future overall figures for savings would be released, these would not be broken down by individual market tests.

The minister's remarks on quality must also be taken with a huge pinch of salt. As one of our main criticisms of the whole market testing process is precisely that the new contracts for services do not contain mechanisms for properly checking and monitoring quality, the assertion that services are already getting better is ridiculous.

Barry Reamsbottom,
general secretary,
The Civil and Public Services Association,
160 Falcon Road,
London SW11 2LN

FINANCIAL TIMES

Number One Southwark Brid[illegible] London SE1 9HL
Tel: 071-873 [illegible] Telex: 922186 Fax: 071-407 [illegible]

Monday February 14 1994

Littlechild's power gamble

The British government's decision in the late [illegible] [illegible] privatise the power generation industry as a duopoly has been a costly error. Consumers have been charged more for their electricity than they would have been in a more competitive market. To free them[illegible] from the [illegible] mar[illegible] power, regional electricity [illegible] made premature investments in gas-fired plants. As a consequence, thousands of coal miners lost their jobs.

Last week's deal between Prof Stephen Littlechild, the electricity regulator, and National Power and PowerGen will do nothing to repair the damage of the past. What it may do is make things better in the future. But even that is far from certain.

The reason for some hope is that Prof Littlechild has focused on the heart of the problem: the fact that National Power and PowerGen own virtually all the country's coal and oil-fired plants. These have higher running costs than the nuclear and gas-fired stations owned by competitors and so, under the complex pool system, [illegible] brought [illegible] stream as demand mounts. Control of this marginal plant effectively [illegible] the duopoly to [illegible] prices not just in the pool, the wholesale spot market for electricity, but also for longer-term con[illegible].

Under the deal with Prof Littlechild, National Power and PowerGen have agreed over the next two years to sell 6,000MW of plant, equivalent to six large stations. The hope is that the new owners of this capacity will bid vigorously to keep prices low. In the interim, there will be a two-year price cap, cutting pool prices by up to 7 per cent.

The price cap will benefit large industrial users, which often buy electricity direct from the pool. Smaller companies and residential customers, though, will get little immediate relief. Their prices are largely determined by five-year contracts put in place at the beginning of last year.

Not ideal

Although the prices in these contracts are even higher than pool prices, Prof Littlechild decided not to revise the terms. This is largely because the government brokered the contracts when it was trying to find a way out of the 1992-93 coal crisis.

Prof Littlechild's resort to price control [illegible] Price regulation can make [illegible] market less flexible and competitive. However, in this instance, it can be defended [illegible] purely temporary measure [illegible] the divestment [illegible] completed.

The [illegible] question is whether the disposal of 6,000MW of plant or roughly 10 per cent of England's generating capacity will [illegible] enough [illegible] duopoly's market power. Prof Littlechild thinks it will. Once competition from new gas stations, Nuclear Electric and imports from France and Scotland is included, the duopoly's share of generating capacity will fall [illegible] under [illegible].

Too optimistic

However, it would be wrong to be too optimistic. Nuclear Electric, gas stations and imported electricity may dent the duopoly's market power, but not by much given that they [illegible] not own marginal plant. And, though the new competitors created after the duopoly's divestments will be in a better position to influence prices since they will probably own marginal plant, [illegible] remains to be seen whether two [illegible] will [illegible] sufficient to restrain the market power of companies many times their size.

Why, then, did Prof Littlechild not insist on a much more ambitious disposal programme? That would have broken the duopoly's power for good.

The answer is almost certainly that to do so would have required a referral [illegible] the [illegible] and Mergers [illegible]. Not only would that have delayed any benefit to consumers. Prof Littlechild, who must have been acutely aware of [illegible] recent refusal to back an MMC recommendation to break up British Gas, could not have been sure of the outcome. An MMC referral would also have postponed the government's plans to sell its remaining 40 per cent stake in the generators.

There is something to be said for clinching a deal now rather than gambling on a monopoly investigation. But Prof Littlechild has also gambled that the sale of a handful of stations will be sufficient to curb the generators' power. Customers can only hope his gamble pays off.

Lining the executive nest

It has not been a great weekend for British capitalism. On Friday night, British Aerospace confirmed the widely reported departure of its chairman, Mr John Cahill, with a laughably inadequate explanation of why he was leaving less than half way through a five-year contract: "This is an appropriate moment for him to relinquish the chairmanship to allow him to spend more time ..." and so on and so forth. No mention here of the widely discussed confrontations with his fellow executives, or of his potential profits on stock options estimated at £3.2m. Yet this huge reward raises questions, not only about British Aerospace, but also about managerial incentives in British business.

Yesterday, an analysis in *The Mail on Sunday* added to the view that company executives find it too easy to line their own nests. Immediately after [illegible] privatisa[illegible] of [illegible] regional electricity companies – at share prices which were designed to attract buyers – [illegible] granted [illegible] options which are now falling due, and which will reportedly bring them profits [illegible] some [illegible]. Rewards on this scale may be appropriate for entrepreneurs in high-risk businesses or new start-ups. They seem out of place in an established regional utility.

In Anglo-Saxon corporate culture, the performance of companies tends, for better or worse, to [illegible] closely identified with the individuals at their helm, who are often rewarded accordingly. This must at least in part be because they are freer from the controls imposed on German or Japanese companies by supervisory boards, or from the direct power exercised by stakeholders, such as the banks or other large shareholders.

There are plenty of examples in the US and the UK to show that such freedom can be abused.

Roulette

[illegible] report on today's management page, Lucy Kellaway suggests that executive share options [illegible] to do with roulette than with rationality – and, it might be added, the game is played with very favourable odds. According to a survey published today, most shareholders agree that existing schemes are flawed, in that executives stand to gain in a rising market, no matter how poor their company's relative performance may have been.

So far, investing institutions have had great difficulty in agreeing sensible benchmarks of com[illegible] performance which should determine the [illegible] options for individual [illegible].

[illegible], the unit [illegible] group, argued recently [illegible] benchmarks were inappropriate anyway, in that they could be distorted by accounting changes and lead [illegible] to [illegible] short-term profits, in [illegible] boost the value of their options. That would seem to be an argument for doing away with such rewards altogether. [illegible] has [illegible] as an alternative, [illegible] restricted share scheme, whereby the better the company performs, [illegible] more [illegible].

Disapproval

In the end, stock options and more [illegible]eral questions about the overall level of executive remuner[illegible] must [illegible] shareholders to resolve. There are welcome signs that they are taking this task more seriously – a five-year contract of the type signed by Mr Cahill in 1992 would probably meet with their disapproval in today's climate.

At the least, there is a need for greater transparency of the value of incentives granted, including options. The Financial Accounting Standards Board has stirred up a hornets' nest in the US by proposing tough [illegible] disclosure standards. That [illegible] no reason for not getting on with the job in the UK. Given [illegible] potential conflict of interest between the managers of an enterprise and its owners, all incentives schemes need full and thorough justification.

Once schemes are made sufficiently transparent, public opinion has a role to play as well. The main threat to the political legitimacy [illegible] British capitalism would be a widespread perception that those who run it are, at best, unduly greedy. A climate of opinion that condemns out of hand schemes able to reward managers regardless of their individual performance is in the best interests not only of companies and their shareholders, but of the capitalist system as a whole.

As Names deliver their responses to Lloyd's settlement offer, **Richard Lapper** answers outstanding questions

Will they take the money and run?

Today is the deadline for Lloyd's Names to [illegible] or reject [illegible] London insurance market's £900m offer [illegible] compensation to meet claims of £3.2bn stemming from recent losses.

Soon after 3pm, Lloyd's should know whether enough Names – the individuals whose personal wealth supports the market – are prepared to accept the deal, thus saving Lloyd's from [illegible] of complex, time-consuming and expensive litigation, and restoring its badly tarnished reputation.

The offer, announced two months ago after more than a year of acrimonious argument, allocates money to 22,921 loss makers according to their [illegible] to 39 syndicates [illegible] Names) in [illegible] account; their perceived chances of [illegible] in the courts; and their determination to take legal [illegible] the [illegible] arrives today, [illegible] questions remain:

Is the offer [illegible] good deal for Names?

For some. But hundreds of Names are so badly hit by their losses that even if they accept the settlement they [illegible] still [illegible] bankruptcy. Names introduced to Lloyd's by the Lime Street agency (one of dozens of companies which handle Names' affairs), face average losses of more than £2m. Even though they have been offered above-average levels of compensation, [illegible] Lime [illegible] Name stands [illegible] more than £800,000.

Other Names have been offered so little that they have virtually nothing to lose by legal action. Most names on syndicates involved in long-tail liability insurance – [illegible] claims [illegible] many [illegible] after [illegible] inception [illegible] policy – and whose legal cases were [illegible] as [illegible] by the Lloyd's panel which helped devise the settlement offer, have been offered less than 10p for every £1 of loss.

[illegible] Names between these two extremes face a dilemma: 1,950 Fel[illegible] Names, [illegible] example, who are suing their [illegible] for losses of £599m, stand to receive £238m if they accept the offer, against £310m to £425m which they believe they could win through legal action.

The settlement can seem attractive if the uncertainties and costs of legal action are taken into account. Although the panel regards the legal case of the Feltrim Names as strong, the courts might not agree.

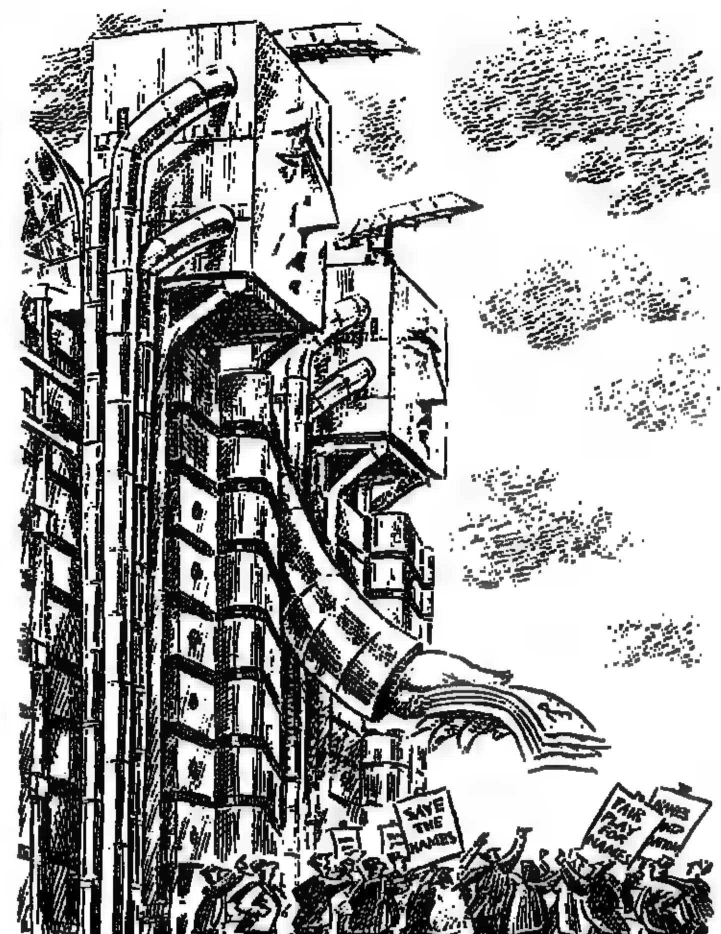
In addition, Names have to consider the fact that – once interest and capital gains are included – money received now will be worth more by the end of 1995, the earliest date by which any group of Names can expect a court ruling.

[illegible] must also consider a third – [illegible]tentially more important – question. Even if their [illegible] are [illegible] in court, will the [illegible] they are suing for negligence have sufficient funds to meet claims?

Most of the responsibility [illegible] meeting [illegible] legal [illegible] will fall [illegible] errors and omissions [illegible] insurance policies, which [illegible] the [illegible] against negligence [illegible]. But [illegible] funds [illegible] limited. According to [illegible] document which [illegible] terms of the offer, [illegible] insurers have [illegible] in [illegible].

Of their [illegible] E&O insurers [illegible] about £400m to the [illegible] offer, supplemented by [illegible] from [illegible] market's central fund – [illegible] claims [illegible] Names [illegible] – [illegible] from [illegible] agents.

The danger [illegible] in rejecting the [illegible] that [illegible] find [illegible] "dash [illegible] cash", with Names [illegible] – [illegible] and Feltrim [illegible] – winning [illegible] of [illegible] funds, leaving [illegible] claims by [illegible] belonging [illegible] loss-making syndicates and [illegible] action [illegible] organising their [illegible] cases could find [illegible] one action offset by the smaller amounts obtained in others.



Will Names accept?

Over the past few weeks, a growing number of names have agreed to accept the deal but rejection still looks likely. Lloyd's is seeking a majority of at least 70 per cent of Names by value of the offer. Names whose offers amount to 70 per cent of £900m must accept the settlement for it to take effect. In January all but one action group voted to turn down the deal.

Even [illegible] level [illegible] compensation itself [illegible] been viewed [illegible] acceptable, [illegible] objected [illegible] several [illegible] features of the offer, such as the absence of protection against losses that have still to emerge on their syndicates. Names accepting the settlement have to give up legal rights in respect of the claims it covers and could find themselves legally defenceless if Lloyd's seizes their assets and property to pay off debts.

However, many action group members did not participate in ballots on the offer, and a substantial minority of Names remains outside any action groups.

Although most Names belonging to action groups are legally bound by the group's decisions in relation to the offer, some may choose to resign from membership if they want to accept the deal and the group does not.

The Association of Lloyd's Members, which represents about half the market's active membership, has warned Names of the uncertainties of legal action. Mr Robert Saunders, of Smith & Williamson, a pri[illegible] bank [illegible] accountancy firm which advises [illegible] 500 Names, says [illegible] "groundswell of acceptances in the last [illegible]".

What will happen if Names say no?

They will be party to [illegible] string of long-running legal actions – beginning in April [illegible] Walker case comes to court. Feltrim and Merrett Names have court dates set for October 1994 and early 1995. Agents and their E&O insurers have said that they will fiercely contest all the actions, with appeals likely. Nevertheless, Mr Michael Deeny, chairman of the Gooda Names action group, believes his group can obtain compensation through [illegible] courts by the end of next year. Mr [illegible] Middleton, chief executive of Lloyd's, predicts no [illegible] will be made until 1998.

From the market's point of view, legal action and the attendant publicity would damage its image, especially in the US. However, following the arrival of institutional investors [illegible] Lloyd's the market [illegible] in a much stronger position than six months ago. Capacity – the amount of premiums [illegible] Lloyd's syndicates [illegible] – rose to £10.9bn this year, [illegible] increase of £2bn on 1993. Insurance [illegible] are rising. Efficiency [illegible] increasing and profits [illegible] likely for 1993.

So is Lloyd's out [illegible] the wood?

Not yet. Lloyd's has [illegible] problems to resolve. First, [illegible] for 1991 and 1992 – which the market will report [illegible] the [illegible] 18 months – are [illegible] reach £3bn, inflicting further damage on Names and stretching the ability of many [illegible] trading. The [illegible] deplete [illegible] market's central fund [illegible] such an [illegible] that Lloyd's may have difficulty proving [illegible] solvency later this year.

A bigger long-term problem [illegible] the potential number of cases arising from asbestosis and pollution claims in [illegible] US. Lloyd's has embarked [illegible] an ambitious plan [illegible] more than £4bn, which it holds [illegible] against these claims, into [illegible] reinsurance company, NewCo, to [illegible] the problem from [illegible] rest [illegible].

It is too early to say whether this effort will succeed. In the meantime, more [illegible] syndicates will [illegible] "commute" many long-tail claims, negotiating [illegible] with policyholders to [illegible] at [illegible] than [illegible] full potential value of the claim.

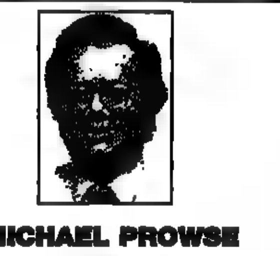
[illegible] should you become [illegible] Name?

You [illegible] not have [illegible] opportunity. Over [illegible] year [illegible] move [illegible] fully corporate Lloyd's [illegible] – [illegible] which the [illegible] limited – [illegible] likely [illegible] pick up speed.

Corporate [illegible] likely [illegible] increase their share [illegible] and [illegible] are considering converting the pooled investment [illegible] set up for [illegible] last year into shareholding companies with limited liability.

Mr Robert Hiscox, [illegible] deputy chairman of Lloyd's, [illegible] new [illegible], trading with old-style unlimited liability, should [illegible] to join the market. "I just don't think [illegible] should [illegible] two classes of [illegible] holder," he said. The implication [illegible] clear: Lloyd's is heading down the road of limited liability.

A reality check on healthcare reform



MICHAEL PROWSE on AMERICA

There was something of the doctor's reassuring bedside manner in the Clinton administration's presentation of its healthcare reform proposal. The plan would end uncertainty about health insurance by guaranteeing all Americans access to care that "could never be taken away". [illegible] it would not [illegible] large extension of government because employers would continue to finance most care. The proposed regional alliances or purchasing co-operatives would simply "manage" competition between private sector providers.

In presenting their plan this way, Bill and Hillary Clinton were bending the truth. Under their scheme, people would remain insured even if they or their employers failed to pay the required premiums. They would remain insured even if the health plan they joined went bankrupt. But there is only one entity that can provide such an absolute guarantee: government. As the Congressional Budget Office (CBO) – an independent fiscal watchdog – ruled [illegible] week, [illegible] Clinton reform [illegible] essentially a public-sector plan [illegible] in private clothing. "It would," said the CBO, [illegible] both a federal entitlement to health benefits and a system of mandatory payments to finance those benefits that represents an exercise of sovereign power. In administering the proposed program, regional alliances, corporate [illegible] and state single-payer plans [illegible] any) would operate primarily as agents of the federal government."

The CBO concluded that health alliances should be treated in the same way as Social Security, the federally-run pension scheme. The transactions of alliances would be "off-budget" – treated separately from [illegible] federal accounts. But premium payments would count as federal revenue.

The CBO's logic is hard to fault. Under [illegible] White House plan, all individuals would have to purchase insurance and all employers would have to pay 80 per cent of the aver[illegible] of health premiums. The federal government, moreover, would largely determine the level of those premiums and the nature of the benefits they purchased. [illegible] new agency, the National Health Board, would control the rate of growth of premiums; and [illegible] net financial burden on companies and individuals would depend on the [illegible] subsidies voted by Congress.

The way certain financial flows are classified ought not to matter a great deal. But in practice the CBO report is political dynamite because it implies the Clinton plan would result in a huge expansion of the public sector. Within a decade, alliances would be collecting more than $500bn in premium payments from companies and individuals (as well as nearly $250bn in direct federal subsidies). The Clinton scheme would thus supplant social security as the largest federal entitlement programme and dwarf such minor enterprises as the Pentagon.

If enacted, the reform would eventually raise federal spending by perhaps six to seven percentage points as a share of gross domestic product, bringing the US into line with other industrial countries. The CBO carefully avoided the dreaded "T" word; but the compulsory health premiums would obviously [illegible] a correspondingly large [illegible] in the [illegible]. [illegible] a final blow, the CBO rejected [illegible] White [illegible] optimistic claims that [illegible] reform would reduce [illegible] budget [illegible] by [illegible] over the next five years, claiming [illegible] would, instead, [illegible] the deficit by $70bn. Indeed, it would [illegible] as a bud[illegible] drain [illegible] until 2004.

The politically damaging CBO report [illegible] public rejection [illegible] the White House proposals by [illegible] leading [illegible] a bliz[illegible] negative TV [illegible] financed by [illegible] private health [illegible] industry. The Clintons [illegible] a Sisyphean struggle in negotiations with congressional [illegible].

[illegible] they still [illegible] some [illegible]. Who can deny the [illegible] in Mr [illegible] claim [illegible] a [illegible] country should guarantee universal health cover? Under [illegible] present regime, private [illegible] is beyond [illegible] means [illegible] working people. A [illegible] an uninsurable "existing condition" can bankrupt even the [illegible]. No [illegible] oped country [illegible] such barbarism.

By insisting on [illegible] presenta[illegible] of [illegible] Clinton plan as a public [illegible] in this [illegible] problem, the [illegible] performed [illegible] public service. But in doing [illegible] not demolished [illegible] plan; on [illegible] contrary [illegible] White House proposals will guaran[illegible] and will, eventually, [illegible] growth [illegible] healthcare spending, in [illegible] saving [illegible] industry billions [illegible] dollars.

The US now [illegible] a painful choice. There [illegible] plenty [illegible] piece[illegible] ways [illegible] improve access [illegible] healthcare [illegible] reduce upward pressure on [illegible]. Congress can [illegible] to prevent insurance companies discriminating against the ill, [illegible] provide cash subsidies toward [illegible] insurance for poor families, to cap the tax deductibility [illegible] premiums, [illegible] to [illegible] ation of private purchasing co-oper[illegible] for small [illegible]. This, essentially, [illegible] the approach [illegible] by Republicans and con[illegible].

But it [illegible] no use pretending [illegible] changes can pro[illegible] absolute guarantee [illegible] health [illegible] sought [illegible] Mr Clinton and long [illegible] in Europe, Japan [illegible] Government [illegible] can provide this guarantee and only the American people [illegible] whether [illegible] goal is important enough [illegible] warrant an historic [illegible] the public [illegible] in society.

OBSERVER

A Syron voice at the Amex

■ Richard Syron has his work cut out at the American Stock Exchange, where he took over as head at the end of last week. A distant third to the New York Stock Exchange and Nasdaq markets, the Amex looks increasingly superfluous in a world of automated trading. Syron, 50, admits the Amex has had an unhappy few years: "I don't think we've done as well as we need to do."

The former head of the Federal Reserve in Boston has no detailed plans on how to reverse matters, only [illegible] belief that the [illegible] of auction market run by the Amex serves inv[illegible] better than the dealer markets which are increasingly prominent in [illegible] US. Unfortunately, the Securities and Exchange Commission has steadfastly refused to favour auction markets.

In five years at the [illegible] Fed Syron built [illegible] solid reputation as a tough, astute operator. Fixing the Amex will need all his energy and political skills – and then some.

Pylon the agony

■ Top bosses of the 12 [illegible] electricity companies are now looking at profits of more than £10m on executive share options they received three years ago. Nice work if you can get it.

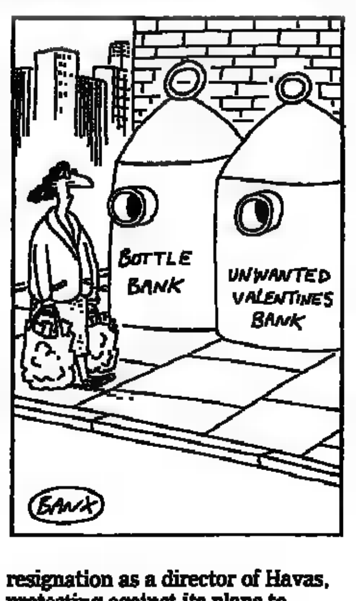
But they claim the customer has also done well out of privatisation, thanks to much improved services. That's open to question in the case of London Electricity, where chairman John Wilson is looking at a paper profit of over £500,000.

Callers to London Electricity's main switchboard yesterday heard an automatic operator intone: "Our emergency service is now in operation." Holding on for further details, the operator then suggested calling another number because "there is a telephone problem". The new number referred the customer on to two further numbers. Finally an answering machine said emergency service telephones were busy: "please call back in 15 minutes".

Have at you

■ Few company chairmen [illegible] brave enough to tell their biggest and most powerful shareholder exactly what they think of them.

But André Rousselet, the septuagenarian chairman of Canal-Plus, the French television group, joined the ranks of the courageous – or foolhardy – when last week he handed in his



resignation as a director of Havas, protesting against its plans to re-shuffle its stake in Canal-Plus.

The resignation might seem a little rash; the deal in question will increase rather than diminish Havas's influence over Canal-Plus. But Rousselet knows he holds a few trump cards.

Not only has he a large personal stake in Canal-Plus; he also enjoys some of the very best political connections, nurtured through years of strolling around the immaculate greens of the posh Saint-Cloud golf club. There his regular partner is none other than [illegible]ent François Mitterrand.

Cogito ergo puff

■ It's not [illegible] Virginia Bottomley, Britain's [illegible] minister, is juxtaposed with Aristotle; but we live in unusual times.

The Advertising Association [illegible] published a punchy pamphlet – Ads and [illegible] – [illegible] confused debate [illegible] relationship between advertising and tobacco consumption. Rallied in support [illegible] continued cigarette advertising are Bottomley: "We should not ban the advertising of something it is legal [illegible] buy" – and adjacent, [illegible] "The word 'Dog' [illegible] bit anyone".

The possibilities [illegible] legion. Inventive copywriters could, [illegible] instance, immediately turn [illegible] Jean-Paul Sartre's weighty treatise Being and Nothingness – yoking it alongside the activities of any [illegible] of [illegible] number [illegible] politicians.

Et tu, Hewson?

■ Long faces from Australia's political [illegible]. Prime minister Paul Keating says his appearances in the daily parliamentary question time are to be pared [illegible] Mondays [illegible] Thursdays. A duty roster of ministers will [illegible] on other days.

It's [illegible] like having Hamlet without the prince. [illegible] politicians pack a verbal punch so well as Keating, [illegible] of his pithier taunts [illegible] the opposition – "scumbags" and "perfumed [illegible]" are a couple of recent examples – make great copy.

But apparently Keating craves [illegible] more statesman-like image. "No man in our history has [illegible] more [illegible] downgrade, abuse, sabotage, undermine, subvert and [illegible] processes and procedures of this parliament," declared John [illegible], the [illegible] leader, [illegible] Keating in the wake of his [illegible] seek gravitas. With [illegible] like that who [illegible] gravitas?

Old sloths

■ So much for the notion that we live in an era of "new man" who gladly washes the dishes, does the vacuuming and changes baby's nappy. Now we are about to be told, by Mintel's market researchers, that more than 50 per cent of British males admit to being "sloths". Only 4 per cent of UK men "always" do the washing; on the other hand 41 per cent take care to polish the car. Typical.

FINANCIAL TIMES
Monday February 14 1994

Spain presses for applicants' cash to go to poorest member countries

Budget row threatens EU talks

By Lionel Barber in Brussels

The European Union's drive [redacted] complete enlargement negotia[redacted] with Sweden, Finland, Austria and Norway by the end of the month risks being side[redacted] by [redacted] Spanish claim for [redacted] from the applicant countries.

[redacted] the four applicants are all likely net contributors [redacted] the EU budget [redacted] that the resulting cash payments should [redacted] the poorer member states, including Greece, Ireland, Portugal [redacted] Spain.

The intervention [redacted] dismayed [redacted] EU member [redacted] who fear [redacted] a budget row might sink prospects of meeting the [redacted] required for enlargement to go [redacted] as planned in January 1995. "The Spanish are behaving like [redacted]," [redacted] EU diplomat [redacted].

The [redacted] negotiations in [redacted] finely poised, with [redacted] bargaining taking place [redacted] regional aid and special [redacted] Nordic [redacted]. An internal [redacted] could [redacted] an early [redacted] talks.

[redacted] of how much [redacted] Swedes, Finns, Austrians and Norwegians [redacted] likely to [redacted] budget [redacted] still preliminary. [redacted] figures suggest [redacted] transfers might [redacted] Ecu2bn [redacted] Ecu4bn [redacted] year, depending on their [redacted] output.

The UK and Germany [redacted] already [redacted] EU sends to southern Europe. British esti[redacted] range from Ecu7m daily to [redacted] Portugal, [redacted] a day [redacted] Spain. In [redacted] 1992, Spain withheld [redacted] support [redacted] early enlargement [redacted] until [redacted] backing from [redacted] partners [redacted] a "cohesion fund" for special [redacted] EU budget [redacted] the [redacted] be funnelled [redacted] south [redacted] periphery.

Last week [redacted] Brussels, Spain [redacted] partners to [redacted] on [redacted] principle [redacted] applicant [redacted] top up [redacted].

[redacted] EU delegations [redacted] also left with [redacted] impression [redacted] agreement on [redacted] of [redacted] Alpine [redacted]. "That [redacted] of [redacted] deadline," [redacted] one [redacted].

A Spanish spokesman [redacted] declined to confirm or deny the country's position on the applicant countries' budget payments.

Spain has taken a consistently tough line in the enlargement negotiations, partly because it is worried that the momentum toward European integration is moving decisively northward.

Last year, Spain insisted that the applicants be left out of the Maastricht treaty's mechanisms for setting up a single European currency. The Spanish still say only [redacted] 12 present [redacted] should be considered eligible for European monetary union.

Madrid's fear is that a "hard core" of member states, grouped around Germany and the Netherlands and including Austria and the Nordic economies, might constitute a majority of the 15 or 16 member states for Emu.

EC considers road traffic-based bond

By Hugo Dixon in London

The European [redacted] considering launching [redacted] tied to the volume of road traffic as [redacted] raising money for [redacted] ambitious trans-European networks initiative.

[redacted] would involve the Commis[redacted] raising [redacted] on interna[redacted] and channelling finance [redacted] governments [redacted] private companies building [redacted] throughout the European Union. Investors would be paid [redacted] linked to the [redacted] of traffic travelling along a particular road, [redacted] Enrico Cioffi, [redacted] of the [redacted] directorate, said in an interview.

The [redacted] bond is one of [redacted] options [redacted] at by [redacted] as [redacted] to inject [redacted] trans-European [redacted] programme – which [redacted] develop transport, [redacted] energy [redacted] linking [redacted] union. The [redacted] of priority projects [redacted] put [redacted] Ecu160bn ($176bn) by [redacted].

[redacted] initiative received a quali[redacted] go-ahead from member [redacted] last December's summit in Brussels. [redacted] some countries [redacted] keen on [redacted] idea, others such [redacted] Germany and the UK were [redacted] Commission proposals [redacted] raise large [redacted] of money through so-called "Union [redacted]" to finance infrastructure.

The [redacted] will [redacted] discussed in [redacted] by Mr Henning Christophersen, the economics commissioner. They will [redacted] put [redacted] June's [redacted] of European [redacted] Corfu.

[redacted] Christophersen [redacted] the [redacted]ficulty [redacted] "not so [redacted] a [redacted] of finance [redacted] a [redacted] of appropri[redacted] financial instruments".

Mr [redacted] aim [redacted] would be [redacted] "reduce [redacted] value". Alterna[redacted] being considered by the Commission [redacted]:

● [redacted] air, rail and maritime traffic. Interest pay[redacted] could [redacted] tied [redacted] on [redacted] particular piece of infrastructure or to traffic throughout the union.

● [redacted] indexed to the [redacted] rate of [redacted] particular [redacted] bank [redacted] of [redacted] inter[redacted].

● Loan guarantees by the Commission. These would be used only for those parts of a network located outside the union and where the absence of a guarantee would prevent the project from going ahead. Examples could include telecommunications or motorway networks extending from the union into eastern Europe.

Mr Cioffi said the Commission could use its AAA credit rating to lower the costs of infrastructure finance by by between ½ and 1 percentage point for countries such as Greece, Italy, Ireland and Denmark, which do not have AAA status.

It could [redacted] reduce [redacted] for private builders of [redacted].

US looks at sanctions

Continued from [redacted] 1

numerical targets [redacted] imports' share of the Japanese market, while Mr Clinton [redacted] prominent critic, Senator [redacted] Dole, the Republican leader, [redacted] him for not settling for a "bad agreement".

Mr [redacted] Inaba, [redacted] Japan Chamber of Commerce, hoped the [redacted] would [redacted] "good sense", while the Japan Automobile [redacted] Association [redacted] hoped [redacted] US [redacted] not [redacted] to sanctions.

But Mr [redacted] will [redacted] under pressure stimulate [redacted]tic demand, on [redacted] of last [redacted] Y15,250bn ($141bn) pump-priming package, [redacted] increase Japanese demand for imports and [redacted] US [redacted] for measured gains in [redacted].

Mr Masayoshi Takemura, [redacted] cabinet secretary and one [redacted] Mr Hosokawa's closest political [redacted] said: "On [redacted] own initiative, [redacted] should draft plans [redacted] further open our market and increase domestic demand." The opposition Liberal Democrats also welcomed Mr Hosokawa's rejection of US [redacted].

German export agency hit by DM5.1bn deficit

By David Waller in Frankfurt

The German government's export credit insurance programme, Hermes, suffered [redacted] The shortfall [redacted] DM5.1bn ($2.9bn) [redacted] than twice [redacted] of 1992 [redacted] is mainly [redacted] DM4.5bn of losses on high-[redacted] business with the former [redacted] Union.

The [redacted] ministry [redacted] it might eventually [redacted] of [redacted] and when [redacted] and Germany agreed on a full debt rescheduling. In the meantime [redacted] will be [redacted] to Germany's public [redacted].

The ministry [redacted] it had been [redacted] help [redacted] in [redacted] Germany survive the collapse [redacted] traditional [redacted] in [redacted] former [redacted] bloc.

"Our continued [redacted] for [redacted] countries of [redacted] Union has [redacted] an important contribution [redacted] production and employment in [redacted] Germany," the ministry said.

It was in [redacted] government's interests [redacted] have healthy businesses in [redacted] east, [redacted] ministry added, and the maintenance of the export credits via the Hermes programme had helped companies gradually adapt to opportu[redacted] in [redacted].

[redacted] German reunification [redacted] the former [redacted] Union and [redacted] Germany [redacted] DM30bn. This [redacted] dramatically [redacted] monetary [redacted] in July [redacted], forcing [redacted] German [redacted]prises to [redacted].

Last year, the government lim[redacted] guarantees [redacted] to DM5bn. The limit [redacted] reduced to DM3.5bn [redacted].

[redacted] credit guarantees are [redacted] via [redacted] versicherungs, a Hamburg-based insurance company. The agency's [redacted] to the former Soviet Union [redacted] believed to amount [redacted] than [redacted].

[redacted] Hermes [redacted] produced [redacted] every [redacted]. The cumulative [redacted] adds up [redacted]. The [redacted] German exporters to take out [redacted] against political and exchange [redacted] as [redacted] risk [redacted] non-payment.

Russia eases Bosnia [redacted]

[redacted] from [redacted] 1

negotiations. But Mr Perry conceded that negotiations might take "months" to come to fruition. Meanwhile, he said Nato [redacted] intent on "raising the stakes" for those who continued to shell Sarajevo after the deadline expires on February 21. The solidarity of the alliance was also a prime consideration in US policy, he added.

In a television interview, he said military options excluded the presence of US ground troops [redacted] force a settlement but included intensified air strikes if shelling persisted.

Mr Perry did not rule out bombing Serbia itself, although he cautioned against "widening" the hostilities.

He said that with 160 Nato aircraft now patrolling over Bosnia, air [redacted] could [redacted] delivered within a matter of minutes of the location [redacted] artillery.

Mrs Madeleine Albright, the US ambassador to the UN, said in another interview that there would be "no extension" of the ultimatum.

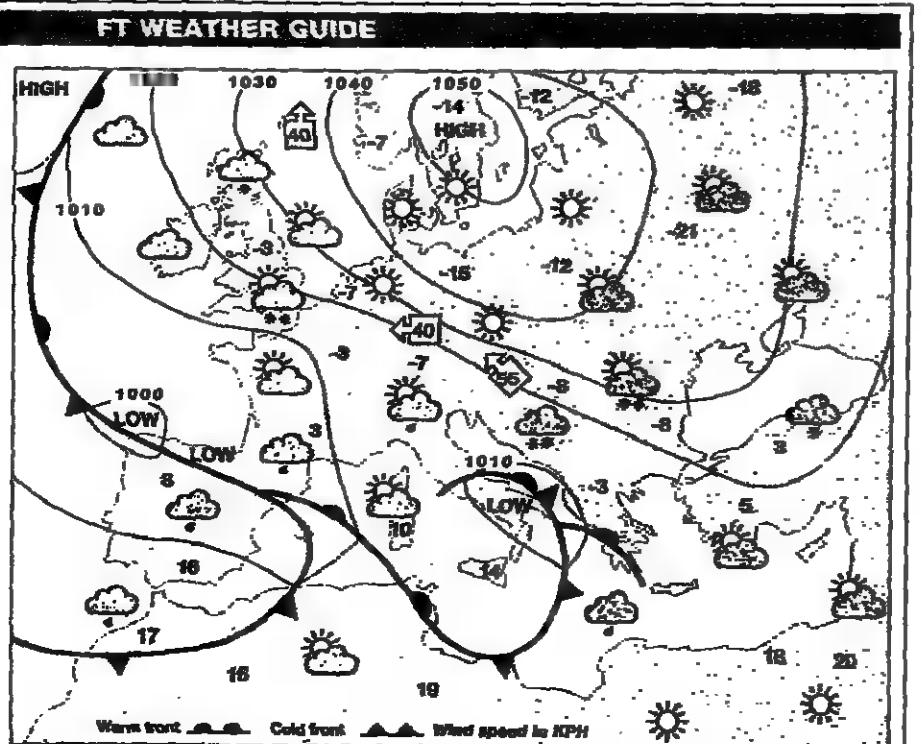
FT WEATHER GUIDE

Europe today

Light [redacted] moderate [redacted] will persist from [redacted] Low Countries [redacted] Germany to Bulgaria and the [redacted]. Despite [redacted] spells, [redacted] will [redacted] very cold, with [redacted] by strong easterly [redacted]. The [redacted] air will also reach the British Isles today. Further north, severe [redacted] will [redacted] All [redacted] will [redacted] very [redacted] Spain, [redacted] Italy [redacted] will [redacted] Balkans will have several inches [redacted]

Five-day forecast

The Arctic high pressure area will weaken and shift south-eastwards. Meanwhile, surges [redacted] warm air will gradually push the cold air towards the east. Rain will reach France, the [redacted] and Low Countries by Tuesday or Wednesday, possibly preceded by freezing rain or snow in the north. The Mediterranean will stay very unsettled and heavy rain [redacted] expected in [redacted] Balkans.



[redacted] at [redacted] GMT. Temperatures [redacted] for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Belfast	cloudy	0	[redacted]	fair	-1	Frankfurt	sun	[redacted]	[redacted]	cloudy	[redacted]	[redacted]	[redacted]	33
	[redacted]		Belgrade	[redacted]	-7	[redacted]	fair	5	Geneva	fair	-1	Manchester	fair	-1	[redacted]	sun	28
Abu [redacted]	sun	25	[redacted]	sun	[redacted]	Cologne	sun	-4	Gibraltar	shower	17	Manila	cloudy	[redacted]	[redacted]	[redacted]	9
Accra	[redacted]	33	[redacted]	fair	[redacted]	D'[redacted]	cloudy	[redacted]	Glasgow	fair	1	Melbourne	fair	31	S. [redacted]	[redacted]	16
Algiers	fair	19	Bogota	[redacted]	[redacted]	[redacted]	sun	[redacted]	Hamburg	sun	-4	Mexico City	fair	[redacted]	Seoul	shower	8
Amsterdam	[redacted]	-5	Bombay	[redacted]	30	[redacted]	fair	14	Helsinki	fair	-11	Miami	fair	[redacted]	Singapore	rain	31
Athens	rain	8	[redacted]	sun	-4	[redacted]	[redacted]	[redacted]	Hong Kong	fair	21	Milan	fair	4	Stockholm	[redacted]	-8
B. Aires	fair	29	Budapest	fair	-2	Dubai	sun	25	Honolulu	cloudy	25	Montreal	snow	-10	Strasbourg	sun	-4
B.ham	fair	-3	C.hagen	sun	-3	Dublin	cloudy	-1	Istanbul	shower	5	Moscow	fair	-17	Sydney	fair	31
Bangkok	fair	35	[redacted]	[redacted]	20	[redacted]	rain	[redacted]	Jersey	fair	2	Munich	fair	[redacted]	Tangier	rain	[redacted]
Barcelona	rain	8	Cape [redacted]	fair	[redacted]	[redacted]	fair	[redacted]	Karachi	sun	27	Nairobi	fair	[redacted]	Tel Aviv	sun	17
Beijing	[redacted]	[redacted]	[redacted]	cloudy	[redacted]	Faro	cloudy	[redacted]	Kuwait	sun	23	Naples	shower	9	Tokyo	[redacted]	[redacted]
									L. Angeles	sun	21	Nassau	fair	[redacted]	[redacted]	fair	-4
									Las Palmas	fair	20	New York	sun	[redacted]	[redacted]	fair	15
									Lima	fair	28	Nice	cloudy	[redacted]	Vancouver	[redacted]	7
									Lisbon	shower	13	Nicosia	fair	[redacted]	Venice	[redacted]	[redacted]
									London	snow	-2	Oslo	fair	-7	Vienna	[redacted]	[redacted]
									Lux.bourg	fair	-3	Paris	snow	[redacted]	Warsaw	sun	[redacted]
									Lyon	cloudy	4	Perth	fair	[redacted]	Washington	sun	[redacted]
									Madeira	shower	18	Prague	sun	[redacted]	Wellington	fair	[redacted]
									Madrid	rain	9	Rangoon	sun	36	Winnipeg	snow	[redacted]
									Majorca	rain	14	Reykjavik	shower	[redacted]	Zurich	sun	-7

THE LEX COLUMN

A touch of cold steel

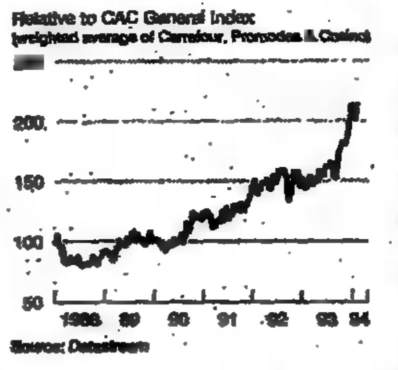
December's agreement [redacted] curb subsidies and rationalise the European [redacted] industry always [redacted]. [redacted] chances [redacted] considerably [redacted] plan for [redacted] men plant [redacted]. Though [redacted] European [redacted] promised to [redacted] tough line [redacted] arrangement, [redacted] political [redacted] plenty of [redacted] July. [redacted] stopping the [redacted] probably slim, despite the [redacted] government. In [redacted] circumstances, the [redacted] non-aided steel companies to come up with fresh offers to cut capacity at tomorrow's meeting with the European Commission is perfectly understandable. The politicians responsible for December's agreement have only themselves to blame.

Still, against the backdrop of the industry's voluntary supply restraints which lifted prices off their lows last year, a permanent cutback in capacity is less urgent than the need to deal once and for all with subsidies. Within 12 months or so, demand should be rising as European economies turn upwards. At the peak of the cycle, the capacity surplus may look markedly less than the 30m tonnes which is commonly estimated today. More imports would be needed to meet supply shortfalls then if capacity is cut back too zealously now.

Such thoughts may help to explain the continuing resilience in British Steel's share price. With its low cost base, strong balance sheet and modest capital spending requirements, British Steel is in a stronger position than most private sector companies to ride out the storm, and even to develop lucrative new markets in the Far East. It will still pay a heavy price, though, if Europe fails to come to grips with subsidies that keep its inefficient competitors alive.

French food retailers

Relative to CAC General Index (weighted average of Carrefour, Promodes & Casino)



Source: Datastream

British Aerospace

While the chairman is the very public face of a company, it has been clear for some time that Mr Cahill has not been the prime mover of events within BAe. The limits to his time in the UK must have curbed his effectiveness, while the wild goose chase for a regional jet deal in Taiwan absorbed much of his concentration. Sadly, his contribution does not merit the kind of payment he has, in the end, collected. But that was the contractual [redacted] hour. An expensive divorce settlement [redacted] than [redacted] misery.

Judged on their results, the reforms introduced to BAe's ailing businesses [redacted]. [redacted] company has dealt with many of its [redacted] problems, such as regional jets [redacted] turboprop leases, [redacted] creating financial flexibility through [redacted] banking lines and the sale of corporate jets [redacted] Rover. [redacted] changes [redacted] bring [redacted] underlying [redacted] businesses, [redacted] local turbulence, the share price recovery has further to go.

The task now is to turn all this to the advantage of the defence business. Mr Dick Evans, the chief executive, has proved himself as [redacted] salesman, but he still has much to demonstrate as a manager. The presence of Mr Bob Bauman as [redacted] heavyweight non-executive chairman [redacted] reassure [redacted] City that the company has a ring-master capable of containing Mr Evans. [redacted]ing had such [redacted] poor track record with [redacted] chairmen, however, the company remains on probation. It must demonstrate that there is not a defence mafia which resists reform.

Japan

It [redacted] no surprise [redacted] Japanese government's [redacted] pump priming package and austere budget last week met with such [redacted] tepid reception both from the US and from the stock market. The package's compromise on tax – where it offers [redacted] single-year income tax cut instead of a [redacted] – is a consequence of the complexities of coalition government.

The budget shows the finance ministry's equally understandable wish to squeeze recurrent spending when the long-term outlook for revenues [redacted].

[redacted] only [redacted] the need [redacted] another discount rate cut all the more urgent. Real interest rates are high, now that the deflation in asset prices which followed the collapse of the late 1980s bubble has taken root [redacted] consumer prices. Most economists believe that, contrary to the incomplete pic[redacted] shown by the official figures, prices are falling by around 1 per cent annually. This makes it more likely [redacted] Japan's gloomy consumers will save, not spend, Mr Hosokawa's tax [redacted]. Why buy today, when [redacted] cheaper tomorrow – especially when wages will be under pressure in the spring pay bargaining [redacted]?

French supermarkets

Oddly for [redacted] the cycle, French food [redacted] the strongest performing stocks on the Paris bourse. [redacted] consumer companies would normally lose ground as industrial companies promise [redacted] greater recovery prospects. But food retailers should deliver robust earnings gains themselves, despite tough trading conditions. International investors, disillusioned with the UK grocery scene, have certainly been tempted by what is on offer across the Channel.

The promise is that French grocers will be able to replicate the margin expansion enjoyed by their UK counterparts in the 1980s. More efficient use of computers, the centralisation of distribution functions and the development of own-label products may enable retailers to double operating margins. This trend should be hastened by the industry consolidation which is already under way.

Stricter planning restrictions [redacted] choke [redacted] superstore developments while leaving smaller [redacted] more room [redacted] expand. But [redacted] already has a high density of hypermarkets. The big retail chains should still boost profits through productivity gains, even if actual turnover does not grow. Besides, some additional [redacted] will come [redacted] foreign [redacted] as retailers diversify. It is, of course, possible that UK grocers may [redacted] themselves [redacted] able [redacted] the French the productivity game. Tesco has already dipped its toe in the water by acquiring Catteau. As the UK market tightens further, the leading food retailers may well be tempted to take a bigger plunge. After all, the English always were a nation of shopkeepers.

FINANCIAL TIMES
COMPANIES & MARKETS
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[redacted] February [redacted]

Viacom clings on as Paramount close looms

By Richard Waters in New York

Viacom, the US cable television [redacted] the favourite on Wall Street to win the $10bn battle for control of Paramount Communications, which formally [redacted] to a close tonight.

However, [redacted] rival QVC continuing to hint that it might *improve the* [redacted] offer, it was unclear over [redacted] whether Viacom [redacted] be able to muster the 50.1 per cent needed to declare outright victory.

Viacom's B shares dropped by [redacted] per [redacted] York on Friday, signalling a belief that it will come out on top in the five-month battle. Investors fear that whichever [redacted] pany is the victor will be weighed down financially by the takeover.

The price of Viacom's B shares fell $1¼ to $31⅛ in a trading session shortened by the bad weather. The [redacted] have nearly [redacted] in [redacted] last September, [redacted] ner [redacted] TV [redacted].

While [redacted] Paramount [redacted] around [redacted]. Viacom [redacted] Wall Street's support with a [redacted] component, along with guarantees for Paramount shareholders [redacted] own [redacted] price [redacted] in [redacted] a takeover.

Formal bidding procedures [redacted] down by Paramount, and agreed to by Viacom and QVC, prevent either side changing the terms of its offer before midnight tonight. However, QVC [redacted] suggested to [redacted] that, if neither [redacted] the outright winner, it might *reinforce* [redacted] bid. This [redacted] probably involve arrangements designed [redacted] Paramount shareholders about QVC's post-takeover share price.

Mr Martin Lipton, one of the US's [redacted] prominent takeover lawyers and an adviser to QVC, kept the hint [redacted] a [redacted] Friday. In a [redacted] Paramount, he [redacted] that "there [redacted] no prohibition against QVC revising [redacted]" if neither [redacted] by tonight.

[redacted] cided, [redacted] develop into [redacted] free-for-all, with [redacted] changing [redacted] Paramount, [redacted] Viacom, [redacted] the end of last week that [redacted] was still trying to persuade both bidders to [redacted] procedures that would [redacted] tonight. QVC, however, [redacted] refused to discuss any [redacted].

At five [redacted] and [redacted] days, [redacted] Paramount bidding war [redacted] just [redacted] days [redacted] of [redacted] five months, four days takeover [redacted] longest takeover [redacted] in [redacted] Wall [redacted] history.

Eyes on Japan [redacted] markets shiver

Global bond and equity [redacted] gearing up [redacted] another [redacted] week, with US-Japanese trade frictions provoking the [redacted] jitters.

Following the failure of trade talks in Washington on Friday, many fear that the US will try to push the Japanese yen higher as a way to close the *trade gap*.

"Tokyo [redacted] the place [redacted] watch," [redacted] Mr Paul [redacted] kow, head [redacted] currency research at UBS. A higher yen would hamper recovery [redacted] could have [redacted] impact [redacted] Tokyo stock market, which could [redacted] other markets lower, he added.

European markets will once [redacted] in the thrall of [redacted] Bundesbank, [redacted] council *meets* [redacted] *Thursday. While* improving monetary fundamentals could [redacted] a cut in German interest [redacted] the [redacted] tral bank may be reluctant [redacted] ease policy ahead of a wage agreement in the engineering [redacted]. Unchanged German rates could [redacted] sure on other European markets, especially in [redacted].

Faced with [redacted] economic [redacted] the UK markets are in for [redacted] nervous week, although [redacted] may be [redacted] last week's sell-off. "The fundamentals look supportive, and I would look to buy the markets on dips," [redacted] Mr Chertkow.

In contrast, Mr Nick Knight [redacted] Nomura, until recently [redacted] prominent bull, caused a stir [redacted] end [redacted] week. While maintaining [redacted] year-end FT-SE 100 [redacted] at 4,000, he [redacted] the [redacted] *fall* [redacted] as [redacted] during the year.

UK fund managers' [redacted]
Page [redacted]

Tibigardens hopes to avoid and exploit EuroDisneyland's difficulties, writes **Tom Burns**

Riding the theme park rollercoaster

As Euro Disney faces meetings with creditor banks, a rival leisure group is putting the final financial touches to a Pta41bn [redacted] project. It plans [redacted] open the biggest theme park in Europe after EuroDisneyland, outside Salou, near Tarragona, [redacted] Spain's [redacted].

[redacted] Peninsula, which owns the theme park site, called Tibigardens, was created in 1988 by Busch Entertainment Corporation, the leisure arm of Annheuser Busch, the US beer and food giant which also operates US theme parks.

Since then it has been joined by [redacted] large Spanish shareholders. The British Tussauds group – part of Pearson, owner of the Financial Times – is negotiating to become the largest shareholder as well as the park's manager.

A final round of meetings began [redacted] between Grand Peninsula [redacted] ICO, Spain's [redacted] institute, to [redacted] Pta15bn borrowing *facility. Afterwards, Grand* Tibidabo, the Barcelona holding [redacted] which has 70 [redacted] cent of [redacted] Peninsula's equity, will sell 30 per cent of the equity to Tussauds, [redacted] 20 per [redacted] with [redacted] Spanish investor and retain 20 per cent. The theme park's other [redacted] shareholders are Busch Entertainment, with a 20 per cent stake, and Fecsa, [redacted] electrical utility.

Tibigardens [redacted] being [redacted] with [redacted] by [redacted] industry analysts. [redacted] Winnington-Ingram, of Morgan Stanley in London, said: "Just [redacted] Euro Disney [redacted] problems, it [redacted] mean [redacted] major [redacted] parks in Europe [redacted] bound [redacted] fail."

Comparisons [redacted] Euro Disney and Tibigardens are "difficult [redacted] they [redacted] on [redacted] scale", [redacted] *Mr Ray* Barret, a [redacted] director. [redacted] park attracts 11m visitors [redacted] Tibigar[redacted] 2.7 million in [redacted] year. Even Tibigardens' highest [redacted] short of Euro Disney's. It hopes attendance will rise to 3.5m a year, and eventually 5m after expansion.

[redacted] chief [redacted] between the two parks should be financial. Mr Ole Bredberg, managing partner of Axel group, the Madrid investment bank which has advised Grand Peninsula, [redacted] Tibigardens will [redacted] profitable from [redacted] beginning. This forecast owes a great deal to what has been learnt from the Paris venture's problems. [redacted] Bredberg explained: "We have put together the profitable end of *Euro Disney*."

The main [redacted] between the two are:

● Tibigardens is just a theme park. It has avoided high fixed costs by shelving plans to build a large beach side hotel and 2,000 living units. Mr Barret said: "Euro Disney got its theme park right and what went wrong was its inability to fill its [six] hotels."

Tibigardens is in a [redacted] including Benidorm, [redacted] does not need [redacted] build [redacted] some 800,000 [redacted] within [redacted]. The park [redacted] holidaymak[redacted] attrac[redacted] – ranging [redacted] villages to Polynesian [redacted] – [redacted] day trip.

● EuroDisneyland [redacted] all year, rain or shine. Tibigar[redacted] will only [redacted] for [redacted] days between April and October and the climate is warmer and sunnier than Paris. During *this period more than 15m for*eign tourists are within striking distance of the park.

● The financial structure differs markedly from Euro Disney's. According to the Axel group's valuations, total fees in royalties and management payable by Euro Disney to Walt Disney stood at 31.5 per cent of operating income when the Paris park opened in 1992 and are supposed to rise.

Fees paid to Busch Entertainment for the design of the park and to Tussauds for its management will fall from 12.4 per cent of operating income when the park opens next year to 10.4 per cent in 1998 and will decrease further.

With the financing in place, the park should open in April next year, that is as long as the construction of the magic mountain proceeds as planned.

BAe shareholders weigh up power of the old guard

Tony Jackson [redacted] the change of leadership at the UK aerospace group

British Aerospace's *shareholders might be forgiven* for feeling slightly restive this morning. The weekend press told them of the ousting of their chairman, Mr John Cahill, and the appointment of a part-time non-executive chairman, Mr Bob Bauman.

Mr Cahill's original task was to impose controls on a group generally thought of as a financial and organisational shambles. Now that the BAe culture has rejected him, the old guard are by implication back in control. Given the hash they made of BAe in the old days, is that something shareholders [redacted] be happy about?

[redacted] question is [redacted] which BAe might perhaps [redacted] under two headings. First, it might claim, the [redacted] guard [redacted] no [redacted]. The group's nadir [redacted] in September 1991, with [redacted] rights [redacted] the board who sanctioned that issue – and [redacted] were responsible for the plight which led to it – have mostly left or been removed. Professor Sir Roland Smith, chairman, has gone; so have the finance, legal, personnel and property directors.

True enough. But the chief executive [redacted] is [redacted] there, as [redacted] deputy chairman Mr Sydney Gillibrand – a lifelong aircraft man, steeped in BAe's defence and aerospace businesses. So are the operating chiefs of the all-important defence business, who allegedly did not take kindly to Mr Cahill's attempts to wean them from their old cost-plus ways.

But, BAe might argue, the new chairman Mr Bob Bauman is a formidable figure. When, as newly arrived chairman of Beecham, he found himself at odds with his chief executive Mr John Robb – now chief executive of Wellcome – it was Mr Robb who left. Mr Bauman then piloted Beecham's merger with SmithKline. He is now approaching retirement [redacted] his reputation intact.

Unlike Mr Cahill, he genuinely appears [redacted] know about [redacted] defence [redacted] business, having [redacted] the US group [redacted] until its takeover by Textron four years later. Although working only one or two days a week, he will form a strong focus for any shareholder dissent.

He also has some strong non-executive directors, such as Sir Graham Day, Sir James Blyth of Boots and Mr Ronnie Hampel of ICI. But they were all there at the time of the rights issue debacle. On the face of it, this is genuinely puzzling. Perhaps the twilight world of classified defence work is hard for outsiders to get a grip on. But [redacted] James, for instance, was at *one time* [redacted] *senior official in the* Ministry of Defence.

Perhaps the combination of Mr Bauman and Mr Evans will finally produce the managerial chemistry which BAe has been groping for. Given its huge importance [redacted] UK manufac[redacted] employer, one [redacted] tainly hopes [redacted]. If not, roll on the [redacted] with GEC. If Lord Weinstock, now [redacted], could knock [redacted] into shape, he would not only [redacted] his career but do the nation a genuine service.

[redacted] Comment, [redacted] 11

Markets this week
Starting on page 17

JOHN PLENDER:
[redacted] INVESTOR

With pension fund [redacted] behaving like blue rinse widows [redacted] their pursuit of high yields or short term capital gains, it [redacted] small wonder that commercial property [redacted] back in vogue. Page 17.

EDWARD BALLS:
ECONOMIC EYE

The growing gap in [redacted] and job chances between workers with [redacted] or qualifications [redacted] those without [redacted] the main cause of poverty and inequality across [redacted] developed world. Addressing this [redacted] the challenge of [redacted] 1990s. Fiddling with [redacted] tax system [redacted] trick. Page 17

[redacted]
[redacted] *Development* [redacted] intention [redacted] raise a quarter [redacted] borrowing [redacted] through its [redacted] offering [redacted] global [redacted] a huge publicity coup [redacted] banks. **Page 18**

Equities:
Analysts say any surprising political or economic devel[redacted] could trip up the stocks and send shares tumbling again. Page 19

Emerging markets:
India's [redacted] ministry is imposing [redacted] on [redacted] companies wanting [redacted] *funds* in the [redacted] capital [redacted]

Currencies:
[redacted] will initially focus on the aftermath of the failed US-Japanese trade talks. Page 19

STATISTICS

This week: Company news

MACLEAN HUNTER/ROGERS

Board unlikely to approve C$2.8bn takeover bid

The board of Maclean Hunter, the Canadian publishing and broadcast group, will *meet this week to consider* its response to a takeover bid worth [redacted] (US$2.1bn) from [redacted] Communications of Toronto.

Rogers, which is Canada's biggest [redacted] TV distributor, ended [redacted] weeks [redacted] speculation last Friday by [redacted] C$17 per share, plus [redacted] portion [redacted] proceeds from [redacted] MH's US [redacted] TV franchises, if they realise [redacted] than C$1.5bn [redacted] expenses. Rogers [redacted] already bought [redacted] per [redacted] in MH [redacted] market.

Mr Robert Furse, Maclean Hunter's [redacted] financial officer, said the company's [redacted] met [redacted] the weekend [redacted] consider the [redacted] bid and other meetings would [redacted] to formulate [redacted].

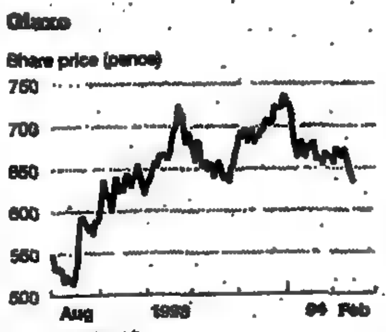
MH is unlikely [redacted] give [redacted] unqualified approval. Expec[redacted] is not the [redacted] word [redacted] reflected in a 38 per cent rise in MH's share price [redacted] Friday [redacted] C$17.38. [redacted] alternatives being explored by MH include alliances [redacted] other companies, [redacted] recapitalisation [redacted] *sale of its cable TV* [redacted]

Among the uncertainties facing Rogers is whether the MH board will allow [redacted] bid. MH's shareholder rights plan makes a takeover all but impossible unless [redacted] permitted by the board.

Mr Ted [redacted], Rogers' entrepreneurial founder and chief executive, insisted that [redacted] bid would not [redacted] raised. "If we [redacted] not successful, [redacted] would [redacted] to [redacted] in with an ego, and overpay." Rogers has arranged [redacted] of C$2.7bn.

Mr Rogers claims the merger [redacted] needed [redacted] create [redacted] Canadian multi-media group powerful enough to stand up to big [redacted] predators, as well as the domestic telephone industry. "If [redacted] all small and timid in this country, we'll be overwhelmed," [redacted] said.

Glaxo
Share price (pence)



Source: FT Graphite

GLAXO

Yield becomes the main attraction

Glaxo's half-year figures on Thursday kick off the UK's pharmaceuticals sector results season. *With SmithKline* Beecham the following week, and Wellcome and Zeneca in March, analysts will be assessing fortunes in an unfamiliar light: that of yield.

Until the early 1990s, the drugs sector was the darling of the capital growth investors. But the threat of cost-cutting in government healthcare budgets has stopped that. As world interest rates began to slide, the yield on drug sector stocks turned from virtually irrelevant to the *raison d'investissement*.

In Glaxo's case, this means that all eyes will turn first to the proposed interim dividend. Forecasts range from 8p to well over 9p, compared with 7p. Even the smaller rise would be [redacted] powerful reminder that [redacted] yield of almost 5 per cent from a cash-generative world leader compares favourably with a FT-SE [redacted] yielding less than 3.5 per cent.

With pre-tax profits of perhaps [redacted] against [redacted], the [redacted] will reflect lower interest income and tighter profit margins. Sales growth of the ulcer treatment Zantac, the world's best-selling drug, is likely to have slowed. But the performance may still better that of SmithKline Beecham's rival drug Tagamet, which loses its US patent in May. Both have lost ground to Losec, from Astra of Sweden.

OTHER COMPANIES

Sony helped by weaker yen

Two important Japanese companies report next week. Sony, the [redacted] consumer electronics group, unveils third quarter results on Thursday. The effects of the weaker yen plus restructuring efforts are expected to benefit the company's performance for the October-December period. On Wednesday Sumitomo Chemical – struggling to overcome the chemicals sector's overcapacity – announces results for the full year.

■ **Euro Disney:** The troubled leisure group's banks hope this week to receive the final version of an audit of finances from KPMG Peat Marwick in Paris. The banks have been digesting KPMG's draft report for the past [redacted] days. Once they have the full version, talks can start in earnest over Euro Disney's emergency restructuring.

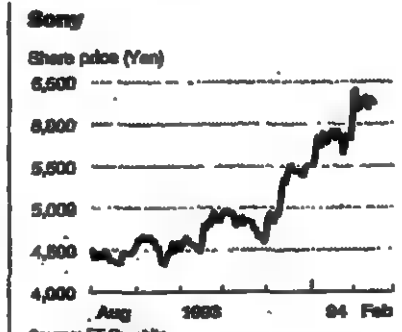
■ **Elf Aquitaine:** The results of the public offer for shares in the French oil group are due to be announced this evening or tomorrow morning. Analysts expect the issue, the largest so far in the government's ambitious privatisation programme, to be oversubscribed, and shares may be clawed back from the tranche allocated to institutional investors. The price *for institutions, also due to* be announced at the beginning of this week, should be above the FFr385 paid by individuals.

■ **Hanson:** The Anglo-American conglomerate reports first-quarter results on Tuesday. A wide range of forecasts reflects many uncertainties: the cost of the [redacted] coal strike; the severity of the negative swing on interest charges; the contribution from Quantum Chemical, acquired at the end of the last financial year; and the effect of exchange rates. Hopes are for [redacted] modest underlying rise from last time's £216m, excluding £20m of disposal profits. No increase in the quarterly dividend is expected.

■ **[redacted] Benson:** The merchant bank reports 1993 profits on Thursday. Last year was highly profitable for banks and securities houses as the stock market rose and corporate activity was high. Analysts are expecting a near doubling of profits to about £90m before a £10m profit on the sale of Sharps Pixley, the bullion business, to [redacted] Bank.

■ **Wickes:** The DIY and timber retailer is expected on Thursday to announce full-year profits more than doubled to £17m-£19m. Analysts are keen to hear whether Wickes is benefiting from the upturn in UK housing, but are concerned about the impact of recession in continental Europe. Wickes introduced deep price cuts on 1,000 of its 3,500 catalogue products.

Sony
Share price (Yen)



Source: FT Graphite

Companies in this issue

Survey of UK fund managers shows sharpened appetite for Japanese equities

Commercial property in favour

By [redacted] Houlder, Property Correspondent

UK institutions [redacted] showing [redacted] enthusiasm for com[redacted] property, according to a [redacted] fund managers [redacted]ried out by Gallup [redacted] New Court, the securities house.

The February survey found [redacted] a balance [redacted] cent of fund managers wished to buy property, repeating [redacted] October's figure which was the highest level recor[redacted] since the survey began.

Fund [redacted] also reported a sharpened appetite for Japanese shares.

The balance of [redacted] planning to increase their holdings of Japanese equities has risen from [redacted] per cent in December and 39 [redacted] cent in January to 50 per [redacted] in February, [redacted] highest level since October [redacted].

For the first time since [redacted] survey began in mid-1990, fund managers planned [redacted] increase their holdings of cash.

[redacted] Lyon, global strategist of Smith [redacted] Court Securities, said that the increased cash alloca[redacted] reflected the historically high prices of [redacted] stock [redacted] and diminishing pros[redacted] cuts.

The [redacted] revealed a [redacted] in interest [redacted] from continental Europe [redacted] the [redacted] Fringe markets.

Mr Lyon attributed the negative sentiment towards continental European equities [redacted] continuing poor economic [redacted] slow [redacted] of reduction of interest [redacted].

[redacted] in [redacted] the Pacific Fringe markets [redacted] attributed [redacted] impact [redacted] US interest [redacted] policy and [redacted] expectations [redacted] the strong performance [redacted] might [redacted] by [redacted] correction.

A [redacted] 12 per cent of respondents intended to increase [redacted] holdings [redacted] US equities, [redacted] balance [redacted] 4 per [redacted] of [redacted] planned [redacted] their holdings [redacted] equities.

[redacted] outlook for the UK economy. UK earnings per share growth is expected to decelerate slightly from 15 per cent in 1994 to [redacted] per cent 1995, while dividend [redacted] share growth is expected to be about 6.5 per cent [redacted].

The survey involved 91 institutions, handling [redacted] totalling £781bn.

Clinical Computing to float

[redacted] Paul Taylor

Clinical Computing, a [redacted] London-based company which develops specialist computer software for [redacted] healthcare industry, [redacted] coming [redacted] market via [redacted] placing of [redacted] shareholders which [redacted] expected to [redacted] group [redacted].

The company [redacted] up [redacted] 1979 by Mr Michael Gordon, [redacted] executive chairman, [redacted] Charing Cross Hospital Medical [redacted] colleagues. During [redacted] it developed the Proton suite of generic software packages [redacted] help [redacted] other healthcare workers record, store, [redacted] and analyse clin[redacted] information.

"Proton is designed [redacted] help [redacted] other [redacted] after patients," [redacted] Gordon, who will retain a [redacted] of about [redacted] cent in the company following [redacted] flotation.

The software, [redacted] customised by clients, [redacted] large volumes of data generated during patient treat[redacted] retrieved electronically instead of [redacted] mountains [redacted]. For example, each of [redacted] dialysis [redacted]tres in the [redacted] treats about 350 patients three [redacted] a week [redacted] generates about [redacted] treatment [redacted] each year.

Clinical Computing [redacted] systems [redacted] in [redacted] UK, the [redacted] eight other countries, [redacted] claims [redacted] no significant competitors [redacted]. [redacted] majority [redacted] have [redacted] in dialysis centres, however, Proton systems have been installed for [redacted] other clinical disciplines including diabetic [redacted] obstetrics.

Last year [redacted] company posted pre-tax profits [redacted] £1.1m on [redacted] of [redacted].

The placing will [redacted] net of expenses, [redacted] will mainly [redacted] used [redacted] acceler[redacted] product development [redacted] expand sales [redacted] marketing activities.

The pathfinder prospectus [redacted] be [redacted] today [redacted] trading in [redacted] expected to begin on February 17.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	[redacted]	VALUE	COMMENT
Sheraton (US)	Ciga (Italy)	[redacted]	£353m	Trumps [redacted]
Molson (Canada)/Home Depot (US)	Home Depot Canada (JV)	[redacted]	£136m	[redacted] defensive move
General Motors (US)/ Beijing Wan Yuan (China)	JV	[redacted] manufacture	£82m	Kit assembly [redacted]
Independent Newspapers (Ireland)	Argus Newspapers (S Africa)	Publishing	[redacted]	[redacted]
Western Co of North America (US)	Unit of Simon Engineering (UK)	[redacted]	£13.2m	Debt-cutting disposal
Powerscreen International (UK)	Simplicity Engineering/ Ludlow Saylor (US)	[redacted] equipment	£9m	[redacted] purchase price
Philip Morris (US)	Polana-Produse Zaharoase (Romania)	Confectionery	£3m	[redacted] 62% [redacted]
Independent Newspapers (Ireland) (UK)	Capital Newspapers [redacted]	Publishing	£4.8m	Busy [redacted] for O'Reilly
Grafton Group (Ireland)	Thrower Brothers (UK)	[redacted]	£2.5m	[redacted] deal
Sulzer (Switzerland)/ JM Voith (Germany)	Merger	Paper	n/a	Merging [redacted] technology ops

Listing sought by Wellington

By David Wighton

Wellington Holdings, [redacted] manufacturer of hydraulic seals and other rubber products, is planning a stock mar[redacted] flotation next month which should value it [redacted] up to £50m.

A £22m buy-out from Evered in 1989, Wellington is currently wholly owned by First Britannia, [redacted] venture capital fund, which will see its stake diluted [redacted] about 40 per cent after the flotation. A group of 24 managers will hold about 10 per cent.

The company has a complex history dating back [redacted] the early [redacted] when [redacted] bought [redacted] of rubber businesses. These were sold to [redacted] added Hallite, then [redacted] listed seals manufacturer, two years later.

Mr Brian Kent, the former chairman of Staveley Industries [redacted] been appointed Wellington's non-executive chairman, [redacted] the senior management have been largely unaffected by the ownership changes.

[redacted] legs: Hallite seals, which are [redacted] in [redacted] hydraulic equipment; [redacted] rubber compounding division, supplying [redacted] materials for [redacted] tyres; [redacted] conversion arm, [redacted] finished rubber products for the automotive, construction [redacted] engineering industries.

[redacted] company [redacted] the recession well. [redacted] of about £42m in 1993 were [redacted] per cent higher [redacted] earlier, [redacted] operating profits have risen by [redacted] a third [redacted] £4.1m.

Wellington [redacted] of the [redacted] the planned share placing, [redacted] is being [redacted] by Kleinwort Benson Securities.

Simon access production moves to Gloucester

By David Blackwell

[redacted] Engineering, the [redacted] access equipment including fire rescue [redacted], is [redacted]ing production [redacted] Gloucester site.

The group said [redacted] assembly and [redacted] operations now carried out [redacted] Dudley in [redacted] Midlands [redacted] be [redacted] to [redacted] Gloster Saro, which would become [redacted] centre of operations [redacted] Europe. Up [redacted] 150 jobs are likely to [redacted] Dudley.

The restructuring costs of £2.5m will be charged as an exceptional item in the 1993 [redacted].

Simon is in the middle of a restructuring programme to cut debt.

Dominick Hunter comes to market with £60m tag

By Andrew Bolger

Dominick Hunter, [redacted] engineering [redacted] which [redacted] be [redacted] leader in [redacted] products, [redacted] expected to [redacted] to [redacted] month [redacted] an [redacted] of [redacted].

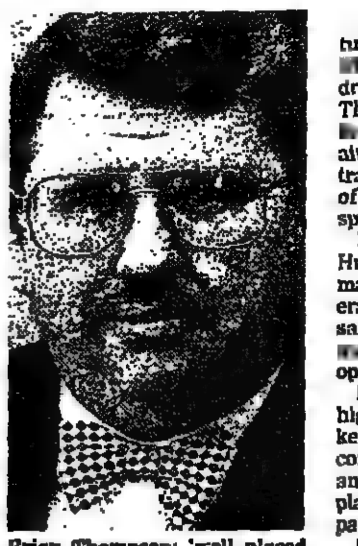
The [redacted] New-castle, [redacted] in [redacted] UK compressed air [redacted] market, [redacted] exports [redacted] 60 per cent of sales to 40 countries. [redacted] operating profits [redacted] £4.7m on turnover of about £30m.

Founded in 1963, Dominick Hunter [redacted] acquired during [redacted] by [redacted] Alexander, [redacted] conglomer[redacted] subject [redacted] management buy-out [redacted].

The buy-out [redacted] from peripheral [redacted] original Walter Alexander business, [redacted] in [redacted]kirk, [redacted] management for [redacted] changedg [redacted] to [redacted].

In spite [redacted] changes in ownership, [redacted] management of [redacted] Hunter [redacted] remained largely [redacted] service [redacted] years. [redacted] group employs about [redacted] people, mainly in [redacted] north-east [redacted] England, although [redacted] in [redacted] US, Europe, Japan and [redacted].

Mr Brian Thompson, chairman, [redacted] strengthen [redacted] group's highly leveraged balance sheet [redacted] expansion [redacted] group's manufacturing [redacted] operations.



Brian Thompson: 'well placed [redacted] expand our [redacted]'

About [redacted] per cent [redacted] turnover is industrial products, [redacted] are used to purify [redacted] dry compressed air [redacted]. The [redacted] also [redacted] mem[redacted] filter cartridges for air sterilisation [redacted] liquid filtration, used in the production of mineral waters, wines, spirits [redacted] pharmaceuticals.

Last month Dominick Hunter paid £1.7m for Nitrox, a manufacturer [redacted] nitrogen [redacted]eration equipment with annual sales [redacted] £1m, which it will [redacted] with [redacted] newly developed business in this [redacted].

Mr Thomson said: "At the high-efficiency end [redacted] market [redacted] operate we see continuing growth [redacted] demand and [redacted] are [redacted] well placed [redacted] expand [redacted] markets, particularly overseas."

Institutional investors, including [redacted] Life, Postel, [redacted] Equity, NatWest Ventures and Dunedin, [redacted] per [redacted] the group's share capital, [redacted] executive management [redacted] 15 per [redacted] and [redacted] balance [redacted] held by 85 individual shareholders.

The flotation, expected in mid-March, will be sponsored by Granville [redacted] Company, with [redacted] Mackenzie acting [redacted].

Retail expansion for ICL

By Alan Cane

ICL, [redacted] computer company, is collaborating [redacted] Norweb, the electricity distributor for [redacted] north-west of England, [redacted] estab[redacted] chain of [redacted] 20 computer superstores under [redacted] Icon brand.

[redacted] pilot superstore [redacted] open in Snipes [redacted] Park, Ashton-under-Lyne, Manchester, on [redacted] 17. ICL [redacted] involved through Technology, a wholly [redacted] subsidiary [redacted] one of the UK's largest personal computer distributors.

[redacted] has the backing of Technology's suppliers. The stores [redacted] hardware and [redacted] from [redacted] Compaq, ICL, Apple [redacted] among others. [redacted] recently [redacted] to resupply Technology with its products after [redacted] row about its acquisition by ICL, said it expected to [redacted] its home computers [redacted] portables through the [redacted].

Mr Steve Sowery, director of retail operations for Technology, said the move would enable the [redacted] to exploit fully the emerging [redacted] for small office and home office systems.

More than 40 per cent of pc sales are expected to go through retail outlets by 1995, according to [redacted] marketing consultancy.

[redacted] aggressively expansionist [redacted] 12 regional electricity companies in [redacted] operations. [redacted] Duncan Gray, [redacted] company's strategic planning controller, [redacted] venture [redacted] between Norweb's retailing expertise [redacted] Technology's computing know-how.

ICL, in which Fujitsu of Japan has [redacted] holding of [redacted] little more than 80 per cent, [redacted] into personal computers through the purchase [redacted] Nokia Data Systems of Finland and into volume products through the acquisition of Technology.

The company's first [redacted] retailing came through [redacted] acquisition of the 20,000 sq [redacted] computer superstore [redacted] Dudley in the [redacted] Midlands in July last year. ICL said that the store had closed after only seven weeks when its backers pulled out, but was now trading profitably.

Technology expects to generate about [redacted] per store in the first year.

The development with Norweb continues ICL's [redacted] to find [redacted] improve [redacted] margins faced with continuing decline [redacted] price [redacted] personal computers [redacted] software.

COMPANIES AND FINANCE

Mexico to offer bank licences

By Damian Fraser in Mexico City

The Mexican government will this [redacted] invite US and Canadian-based banks [redacted] apply for licences to [redacted] up Mexican subsidiaries, according to Mr Pedro Aspe, the finance minister.

The foreign banks granted licences would be the first [redacted] operate in Mexico, except for Citibank, which [redacted] a Mexican branch under special agreement. The licences [redacted] expected [redacted] given out [redacted] the [redacted] of this [redacted].

Mr Aspe [redacted] foreigners would [redacted] given 60 days [redacted] their applications. He expected [redacted] applied, and met the necessary legal and [redacted] requirements, would [redacted] granted a [redacted].

The financial minister [redacted] the banks would make Mexico's financial system more competitive. "I think there is going [redacted] be a revolution, which is exactly [redacted] I wanted," [redacted] said.

[redacted] open up [redacted] financial system under the [redacted] American Free Trade Agreement. Under Nafta, US and [redacted] banks [redacted] collectively [redacted] up [redacted] of total banking capital this year, with [redacted] limit gradually increasing until the year 2000, when it disappears. Individual foreign banks [redacted] up [redacted] 1.5 [redacted] of [redacted] capital this year.

Several large US [redacted] – including J.P. Morgan, Bank [redacted] America, Manufacturers Hanover [redacted] Chemical Bank – [redacted] inter[redacted] in opening [redacted] Mexican subsidiaries. European [redacted] Asian banks, through their US and Canadian [redacted], are [redacted] expected to [redacted].

Under [redacted] further agreed to [redacted] brokerages [redacted] insurance sector [redacted] and Canadian-based companies. Foreign brokerages will initially [redacted] limited [redacted] of the [redacted] market.

[redacted] on foreign banks' [redacted] in coming to Mexico, [redacted] Aspe [redacted] expect that [redacted] per [redacted] foreign [redacted] a binding limit. But he [redacted] setting the 60-day time period for applications [redacted] to [redacted] foreign banking [redacted] in [redacted] future.

J.P. Morgan [redacted] already sought approval from the [redacted] Federal Reserve to operate a subsidiary in Mexico. Morgan, which has a large representa[redacted] in Mexico, plans to apply for [redacted] maximum permit[redacted] capital [redacted] foreign bank. It hopes to offer a broad range of commercial [redacted] investment banking services through a bank and brokerage, according to a spokeswoman.

Mr Aspe said [redacted] govern[redacted] a [redacted] budget [redacted] as planned. However, [redacted] spending priorities [redacted] changed after the [redacted] uprising in Chiapas, and [redacted] be shifted from some [redacted] to politically [redacted] important [redacted].

The [redacted] ministry [redacted] rately [redacted] all of [redacted] remaining shares in three large banks; Bancomer, [redacted] Prime-Internacional. [redacted] sold, [redacted] be [redacted] $2.4bn.

Aspe: 'spending priorities [redacted] uprising'

Mr Aspe [redacted] other privatisations would, as [redacted] the past, [redacted] placed [redacted] the government's special contingency fund. It [redacted] still not decided [redacted] reduce [redacted] or finance increased [redacted] spending, the finance minister said.

Big French groups report lower sales

By Alice Rawsthorn in Paris

A number of France's largest industrial [redacted], including Bouygues, the construction [redacted] Alcatel-Alsthom, [redacted] telecommunications [redacted]cern, have underlined the pressures on the French economy by reporting reduced sales for [redacted].

Alcatel-Alsthom saw [redacted] all [redacted] by [redacted] per [redacted] FFr156.07bn ($26.2bn) in [redacted] FFr161.68bn in 1992.

Mr Pierre Suard, Alcatel's chairman, had previously warned investors [redacted] were likely to [redacted] a further reduction in 1994 due to the contraction in the company's European telecommunications activities.

Mr Suard has also forecast static profits of around FFr7bn for the group in 1993 followed by a fall in profits during the [redacted] year reflecting [redacted] in [redacted].

Bouygues, the world's largest construction company, was also hit by a slowdown in its European business. It reported [redacted] per [redacted] in [redacted] to [redacted] for [redacted] against [redacted] in [redacted] previous [redacted].

The [redacted] has previously predicted [redacted] profits for [redacted] to around [redacted] from [redacted] in [redacted], mainly [redacted] to the downturn [redacted] property [redacted].

[redacted] Français, [redacted] ing [redacted] company, [redacted] casualty of [redacted] construction industry's [redacted] recently [redacted] in [redacted] off-balance sheet losses, saw [redacted] by 9.7 [redacted] to FFr13.46bn in [redacted] FFr14.77bn in 1992.

The gloomy [redacted] was [redacted] by the announcement of [redacted] 3.5 per cent decline [redacted] Technologies, [redacted] hit [redacted] of SDV, its shipping [redacted].

Bolloré, which fell into the red in 1992, has already warned of further losses for last year [redacted] slipped by [redacted] to FFr24.81bn [redacted] in 1992.

Advance by Pacific Dunlop

By Nikki Tait in Sydney

Pacific Dunlop, [redacted] large [redacted] Australian industrial group, [redacted] reported [redacted] profits [redacted] but [redacted] items, to [redacted] (US$107.8m), [redacted] strong performance [redacted] of [redacted] divisions.

Sales for the six months to end-December rose by 9.2 per cent to A$3.5bn.

[redacted] items [redacted] no impact on the 1993 period but did dent profits slightly in the previous year. After abnormal items, net profits increased by 25.5 per cent. Earnings per share, at 14.4 cents, rose by 21 per cent.

Pacific, which is [redacted] in Melbourne, said the resurgence in the US car industry had greatly helped its GNB Battery Technologies division.

The company's South Pacific Tyres business – a joint venture with Goodyear Tire & Rubber – [redacted] contributed strongly to results, [redacted] of productivity gains and higher sales.

The clothing, footwear and sporting goods businesses benefited from the upturn in Christmas trading.

Metallgesellschaft revises losses

By [redacted] Waller in Frankfurt

Metallgesellschaft, the Frankfurt-based metal, mining and industrial group, said its revised group pre-tax [redacted] for the year [redacted] September [redacted] DM1.87bn ($1.07bn) and [redacted] net [redacted] for the [redacted] DM1.97bn, [redacted] turnover of [redacted] are in line with [redacted] made public last [redacted] during the group's rescue talks [redacted].

[redacted] details will [redacted] made [redacted] until February 22 [redacted] Mr [redacted], group chief executive, will hold a press [redacted].

Air New Zealand profit up 45%

By Terry Hall in Wellington

[redacted] Zealand [redacted] reported [redacted] in [redacted] profit to NZ$88.1m [redacted] the six months [redacted] December 31. [redacted] result [redacted] occurred in "far from buoyant" domestic and international trading conditions.

They said the group had ben[redacted] fuel [redacted] interest costs and tax offsets. "The company is making solid [redacted] to [redacted] kinds of earnings [redacted] expected of [redacted] business operating in the [redacted] of aviation," [redacted] chairman, Mr [redacted] said.

Air [redacted] Zealand [redacted] by Brierley Investments, [redacted] Qantas of [redacted]lia [redacted] per [redacted] Japan Air [redacted] cent.

[redacted] managing director, Mr James McCrea, [redacted] half [redacted] encouraging growth in tourism. Total [redacted] on international [redacted] rose by [redacted] per cent, reflecting [redacted] start of [redacted] services to [redacted] Korea in November, [redacted] and Bangkok [redacted] and [redacted] capacity on Pacific [redacted] Australia [redacted] Zealand [redacted].

[redacted] McCrea said [redacted] with[redacted] Continental [redacted] from the Pacific in late October coincided with an overall lift in [redacted] on [redacted] sectors it had previously flown.

[redacted] improve[redacted] in earnings in [redacted] first half of [redacted] year had [redacted] driven almost entirely by growth in passenger numbers [redacted] higher [redacted] factors. [redacted] company's international cargo operations were enjoying higher tonnages helped [redacted] an improvement in the New Zealand economy.

[redacted] said that the second-half of the [redacted] had [redacted] satisfactorily [redacted] earnings would probably be lower than those of the first [redacted].

Samsung Heavy weighs up its future in cars

John Burton looks at the prospects for the big South Korean group's latest controversial ambitions

The [redacted] listing of [redacted] Heavy Industries on the Seoul bourse [redacted] company's [redacted] but controversial ambitions – to break into the car industry.

SHI, while expanding its [redacted] shipbuilding business, [redacted] to become a [redacted] initial [redacted] offering, 10 [redacted] oversubscribed, [redacted] raise Won150bn [redacted] for new motor vehicle [redacted] shipbuilding [redacted].

[redacted] carmaking ambitions, however, [redacted] with [redacted] both industry [redacted] government, which [redacted] give [redacted] go-ahead [redacted] company's plans.

And analysts have warned that [redacted] could [redacted] tough [redacted] to expand [redacted] two [redacted] South Korea's [redacted] competitive industries, [redacted] overcapacity.

Samsung, however, believes SHI [redacted] important [redacted] mainstay [redacted] conglomer[redacted] highly-successful Samsung Electronics, which has [redacted] of Won8,050bn. SHI [redacted] only [redacted] group's [redacted] sales of [redacted] year.

The Samsung [redacted] group recently [redacted] SHI [redacted] companies under [redacted] government [redacted] conglomerates [redacted] specialise in a [redacted].

SHI's strength [redacted] being Korea's third-largest shipbuilder, [redacted] Hyundai Heavy [redacted] Shipbuilding [redacted] Heavy Machinery. [redacted] also [redacted] of machinery [redacted] equipment, [redacted].

[redacted] increasingly profitable, [redacted]ings [redacted] Won82bn in 1993, [redacted] Korea overtook Japan last year [redacted] the world's leading shipbuilder in terms of [redacted] orders. This reflected the depreciation [redacted] Korean won against [redacted] strong Japanese yen.

SHI [redacted] year received total [redacted] of [redacted] for [redacted] ships, creating a backlog [redacted] will keep [redacted] busy for [redacted] least two years.

However, [redacted] rush of orders also [redacted] problems. SHI has [redacted] banned from building [redacted] expanding shipyard facilities since 1989, when the govern[redacted] to a downturn in orders by imposing restrictions [redacted] industry [redacted] curb excess capacity.

SHI complained that its lim[redacted] prevented it [redacted] meeting delivery dates for [redacted] orders. It [redacted] successfully for [redacted] government [redacted] lift the [redacted].

Samsung plans [redacted] shipbuilding capacity of [redacted] by expanding [redacted] dockyard [redacted] Koje [redacted] building [redacted].

However, [redacted] expansion plans [redacted] triggered [redacted] by [redacted] competitors [redacted] increase capacity, [redacted] "could eventually [redacted] a significant supply glut", according to Mr Lee Keummo, [redacted] analyst [redacted] Barings [redacted] Seoul.

SHI has also had [redacted] fight industry [redacted] government oppo[redacted] plans for car production. Its competitors claim Korea can not support [redacted] fifth car company, although the industry posted records in sales and exports last year.

"Obviously, there is major opposition from existing manufacturers, citing overlapping investment, waste of resources and excessive competition." [redacted] Mr Don Lee, motor analyst for BZW Securities in Seoul.

SHI's first step into the [redacted] industry came in [redacted] when it won government approval [redacted] produce commercial trucks [redacted] co-operation with Nissan Diesel of Japan.

A factory [redacted] Changwon, built for Won72bn, will begin operation by the end of June, producing 4,800 construction trucks by 1997. SHI plans [redacted] build a second, Won450bn plant at Taegu by 1996. This plant will manufacture 68,000 mid-sized trucks and buses by 2000, with forecast sales of Won800bn.

However, it is SHI's plans to move into car production that are causing the problems. The government last year blocked a suspected hostile takeover attempt by Samsung for Kia Motors, the country's second-largest carmaker.

[redacted] negotiating [redacted] a joint venture [redacted] technical co-operation with several foreign car companies, including Toyota Motor and Nissan Motor of Japan, Volkswagen of Ger[redacted], and Volvo of [redacted].

Meanwhile, [redacted] government [redacted] yet [redacted] decide whether [redacted] grant SHI [redacted]. A [redacted] expected by [redacted] end of April.

Cost-cutting boosts Euroc results

By Christopher Brown-Humes

Euroc, the [redacted] building [redacted] group, lifted profits after financial items to SKr235m ($29.1m) in [redacted] from SKr145m a year earlier.

The [redacted] said that [redacted] managed the [redacted] per [redacted] increase in spite [redacted] in its main markets, greater price competition, and costs linked to capacity reduction measures.

[redacted] that it [redacted] from cost-cutting, higher productivity, increased exports, and [redacted] performance in many [redacted] markets.

However, the [redacted] were [redacted] by [redacted] SKr120m charge linked to the company's efforts to [redacted] capacity. The group had continued to be [redacted] by the sharp downturn in construction activity in the Nordic region.

The company [redacted] of its products [redacted] Finland fell by [redacted] 15 [redacted] 30 per [redacted].

To strengthen its position, the group agreed [redacted] buy [redacted] companies from the Finnish groups Metra [redacted]tek at the [redacted] of last year.

[redacted] GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday February 11, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	[redacted] (X 100)
Afghanistan	(Afghani)	2721.68	1886.15	1089.54	1720.3
Albania	[redacted]	160.60	108.527	62.5267	[illegible]
Algeria	[redacted]	[illegible]	24.1083	[illegible]	22.3419
Andorra	[redacted]	8.7300	5.8537	3.3866	[illegible]

THE WEEK [redacted]

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Aukett Associates, [redacted] Chelsea Embankment, S.W. 12.00

BOARD MEETINGS:
Finals:
Baring Tribune Inv. Tst.
Olim [redacted] **Tst.**
[redacted] **Market Inv. Co.**
Interims:
Castle Cairn Inv. Tst.
English & Caledonia Inv.
Foster's Brewing Group
Mid Wynd Intl. Inv. Tst.
Roxspur
Second Alliance Tst.
Stanelco
Throgmorton
Verity
Westminster Health Care

■ TOMORROW
COMPANY MEETINGS:
Aberforth Smaller Co's Tst., 14 Melville Street, Edinburgh, 12.15
Baggeridge Brick, Birmingham Chamber of Industry and Commerce, 75 Harborne Rd, Birm'ham, 12.00
Daily Mail [redacted] **General Tst.,** Chepstow [redacted] Kensington Close Hotel, S.W. [redacted]
Hardys & Hansons, Kimberley Brewery, Nottingham, 11.30
Kleeneze Hldgs., Innovations House, 211 Lower Richmond Road, Richmond, Surrey, 10.00
Titon Hldgs., International House, Peartree Road, Stanway, Colchester, Essex, 10.00
BOARD MEETINGS:
Finals:
Burlington Group
County Smaller Co's Tst.
St. Modwen Properties
TR Pacific Inv. Tst.
Interims:
Armitage Brothers

■ WEDNESDAY FEBRUARY 16
COMPANY MEETINGS:
Control Techniques, Ty Rheodi Lochdre Estate, [redacted], Powys, [redacted]
M [redacted] **W,** Ibis [redacted], 1 [redacted] Quay Road, Southampton, 11.00
BOARD MEETINGS:
Finals:
Leslie Wise Group
Trencherwood
Yeoman Investment Tst.
Interims:
Benson Group

■ THURSDAY FEBRUARY 17
COMPANY MEETINGS:
Greenwich Resources, Colwall Park hotel, Colwall, Nr. Malvern, Worcestershire, 12.00
Tomkinsons, The Chantry, [redacted] Mary's Church, Kidderminster, Worcestershire, 12.00
Westland Grp., [redacted] Connaught Rooms, Great Queen Street, W.C. 2.30
BOARD MEETIN[redacted]
Finals:
Anglo & C[redacted] **Tst.**
Kleinwort Benson Group
River & Mercantile Tst.
Throgmorton Tst.
Vektra Corp.
Wickes
Interims:
Glaxo Hldgs.
Intl. Comm. & Data

■ FRIDAY FEBRUARY 18
COMPANY MEETINGS:
Bankers Investment Tst., Stationers' Hall, Ave Maria Lane, E.C. 12.30
David Lloyd Leisure, [redacted] Copthall avenue, E.C. 12.00
Greenalls Grp., The Grand Hotel, Brighton, East Sussex, 12.00
Polar, Cherrycourt Way, Leighton Buzzard, Beds., 12.00
BOARD MEETINGS:
Finals:
Inoco

Company [redacted] *annual general meetings unless otherwise stated.*

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
API 4.9p
Ball (A.H.) 1p
Berkeley 1[redacted]
Britannia Bldg. Soc. FRN 1998 £150.34
British Gas 12¾% 1995 £127.50
British Telecommunications 6.65p
Carlton Communications 7½% Cv. Sub. Bds. 2007 £187.50
Gibbons Lyons 2.2p
Guaranteed Export Finance Corp. 11¼% Gtd. Nts. 1994 £1,125
Halma 0.933p
Mazda Motor Corp. FRN 2000 Y71[redacted]
[redacted] Corp. [redacted]
[redacted] & Co. [redacted]
National [redacted] Bank Var. Rate Cap. [redacted]
Norcros 3.5p
Polar 2.85p
Quality Care Homes 3p
Sanyo Electric Co. FRN 1997 Y220,893
Shaw (Arthur) & Co. 0.5p
SKOPBANK-Finnish Savings Banks Association Ser. B Undated Sub. Var. Rate Nts. $110.97
Sumitomo Bank Intl. Finance Gtd. FRN 2000 $97.92
Tongaat-Hulett R0.25
UMECO 0.75p
Vega 1.04p

■ TOMORROW
Abbott Laboratories $0.17
Anglo American Inv. Tst. 6% Gross Cm. Pf. R0.06
Archimedes Inv. Tst. 17p
BTP 3.45p
Chase Manhattan £0.33
Colgate-Palmolive $0.38
Faupel Trading 1.85p
Finland (Rep. of) 11½% 2009 [redacted]
Fishguard & Rosslare Railways & Harbours 3½% Gtd. Pf. 1.225p
[redacted] 0.5p
Hambros Eurobond & Money Market Fd. Ptg. Rd. Pf. (Aust.Eurobond) A$0.7752
Do. (Continental Euro Eurobond) DM1.6862
Do. (Continental Euro Money Market) DM1.5356
Do. (Managed) 17.07p
Do. (North American Eurobond Fd.) $0.764
Do. (£ Eurobond) 20.2p
Do. (Sterling Majority Money Market) 12.46p
Do. (Sterling Money Market) 26.16p
Do. ($ Money Market) $0.1298
Do. ($ Managed) $0.207
Do. (Yen Eurobond) Y53.17
Marsh & McLennan Cos. $0.675
M.Y. Hldgs. 1p
Norsk Hydro 8¾% 1995 FFr875
NOVA Corp. of Canada C$0.06
Protean 1.05p
Scottish Metropolitan Property 10¼% 1st Mtg. Db. 2016 £5.125
Sears 7¼% Un. Ln. 1992/97 £3.625
Sheriff 2.5p
Tate & Lyle ADR $0.652
Trinity Intl. 5% Cm. Pf. 1.75p
TSB Gilt Fd. Ptg. Rd. Pf. 2p
Uberior Invs. 14⅞% Sub. Gtd. Nts. 2000 A$371,875
Wellman 0.3p

■ WEDNESDAY FEBRUARY 16
Attwoods ADR $0.304
Baggeridge Brick 2.375p
Chubb Security 2p
Gates 5% Cm. Pf. 3.5p
Do. 5% Cm. 2nd Pf. 3.5p
National Westminster Bank Primary Cap. FRN Series B $188.47
State Bank of New South Wales Extendible FRN $188.47
United Kingdom 2½% Index-Linked Treasury 2013 £1.9758

■ THURSDAY FEBRUARY 17
Anglia Television 8p
Canadian & Foreign Securities C$7.20
Drive Securities Class A FRN 1996 £153.12
Do. Mezzanine FRN 1998 £173.29
National & Provincial Bldg. Soc. FRN 1999 £144.93
Oriflame Intl. 4.3p
Do. SHS. 3.225p
Royal Bank of Scotland FRN 2005 £71.68
Taunton Cider 2.65p
Telefonica de Espana Pta25
Tomkinsons 8p
Vaux 6.25p

■ FRIDAY FEBRUARY 18
Airtours 8p
Allied Colloids 1p
Anglian 4.1p
Bass ADR $0.535
Bradford & Bingley Bldg. Soc. Collared FRN 2003 £35.60
Britannia Bldg. Soc. FRN 1996 £142.73
Burndene Invs. 1.25p
Chase Manhattan FRN 2000 $127.78
Credit Foncier de France 10¼% Gtd. Serial Ln. 2011,2012,2013,2014 [redacted]
Fleming Intl. High Income Inv. Tst. 1p
Forte 10% 1st Mtg. Db. 2018 [redacted]
Goode Durrant 2.2p
Group Development Capital Tst. 0.33p
Leeds Permanent Bldg. Soc. [redacted] FRN 2003 [redacted]
Lloyds Bank Series [redacted] Variable Rate Sub. Notes 1998 £154.07
Midland Bank Sub. FRN 2001 £71.38
Mitsubishi Materials Dual Basis Nts. 1998 Y86,542
National Westminster Bank Undated Var. Rate Nts. £162.26
Pilkington 1.5p
Titon 2.9p
VHE 1.1p
Wells Fargo & Co. FRN 1998 $91.04
Woolwich Bldg. Soc. FRN 1994 [redacted]

■ SATURDAY FEBRUARY 19
Caterpillar $0.15
Smith New Court 2p

■ SUNDAY FEBRUARY 20
Bank of Ireland Units of Non-Cm. Sterling Pf. Series A [redacted]

هكذا من الأصل

The Markets

THIS WEEK

Global Investor / **John Plender**

Resting the case for the defence

In [illegible] United [illegible] it was the blue [illegible] widows who were accused of pushing up stock [illegible] in their flight from low short [illegible]. In Britain [illegible] the actuaries, who have an endearing habit [illegible] making assumptions about present and future [illegible] flows which ignore the market's view of capital value.

If employers are not to face vast increases in pension contributions, their funds have to generate the kind of returns that keep the actuarial profession happy. Trustees and fund managers are thus hungry for income and are tempted to behave like blue rinse widows, chasing either high yields or short term capital gains. Small wonder that commercial property is in vogue for the first time in years.

The nervous gyrations in the securities markets since Mr Alan Greenspan, chairman of the Federal Reserve, raised US short term rates 10 days ago are perfectly designed to encourage that interest.

A high yielding real asset with no stock market quotation has a strong feelgood factor for insomniac fund managers when equity valuations are in dangerous, low-yielding territory. Nor is it just that land, bricks and mortar have defensive merit. As the chart demonstrates, property has not looked so cheap relative to equities for years. Rents, which must [illegible] long run [illegible] some relationship to [illegible] cycle, are [illegible] their [illegible] level, in real terms, since the 1960s.

Property is the last haven of value in a mature bull market. It is the only asset [illegible] the yield [illegible] high [illegible] by [illegible] and in [illegible]. It [illegible] has a huge income advantage over gold and commodities, which have been exercising such a powerful lure over the hedge fund operators. And the property yield curve, the relationship [illegible] interest rates and property yields, again provides bankers with a powerful incentive to lend to property entrepreneurs.

For the first time since the 1960s [illegible] is possible for a developer to contemplate putting up a building that will generate an immediate income surplus over the cost of servicing a mortgage debenture. In the short run that will put further downward pressure on yields, even if in the long run it leads to an oversupply of space.

There are snags. For a start, rents are still falling. Modern leases no longer run to 25 years as they did at the chart's starting point and the property fraternity is waiting anxiously to see whether the government [illegible] and upward-only [illegible] reviews on leases. That would seriously reduce the quality of [illegible] financially engineered income stream that property now offers.

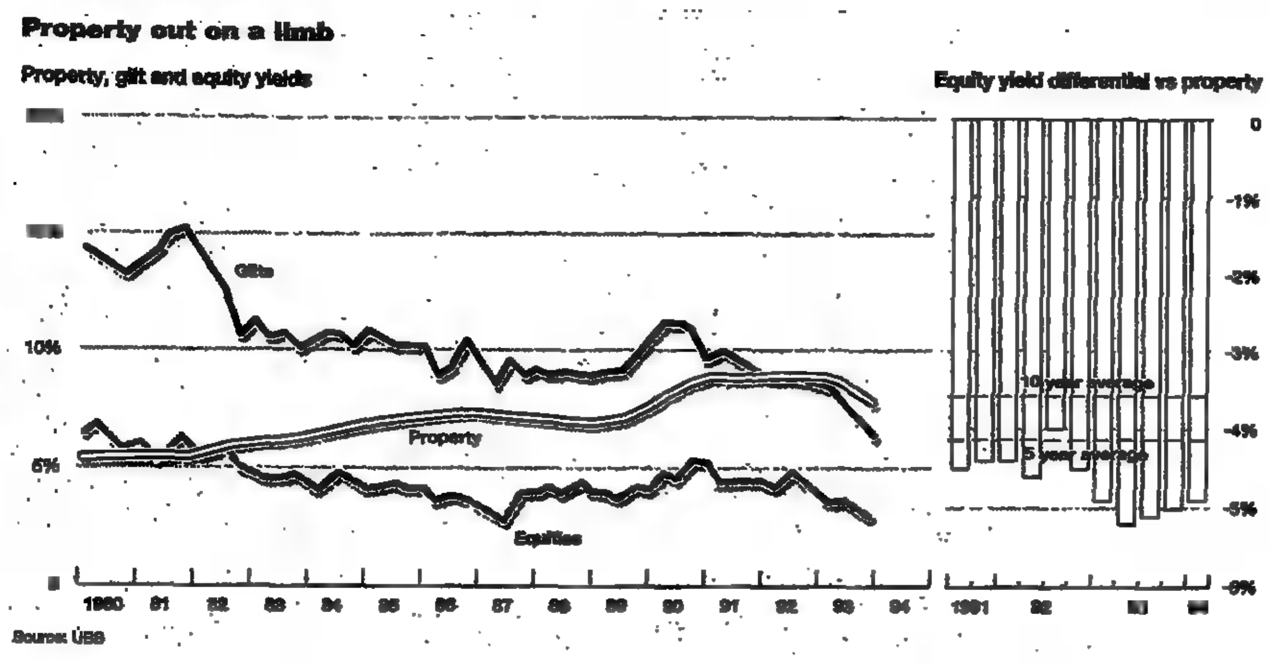
[illegible] illiquid [illegible] provides [illegible] more fundamental reason for [illegible] risk premium over gilts and equities, a premium [illegible] also [illegible] reflect the fact that the product cycle [illegible] shortened. [illegible] has to be spent on property at closer and closer intervals if it [illegible] remain attractive [illegible] potential [illegible].

For Mr Norman Bowie, the former partner in [illegible] Lang [illegible] who first emphasised the importance [illegible] making full [illegible] depreciation in property valuation, this implies [illegible] selection, supported by [illegible] on location, and the local or regional economy, is the sine qua non for successful investment.

The trouble is that once people wake up to the merits of property [illegible] increasingly [illegible] advice. In the nature of things, entrepreneurs [illegible] than investment institutions. This is a very imperfect market where the best opportunities tend to be made rather than bought.

Some parts of the market already look over-excited, notably retail property, where the fall in the yield on the Investors Chronicle Hillier Parker [illegible] over the past year from 7.5 per cent to 6.6 per cent understates the euphoria that has been apparent in some recent deals. Curious that retail real estate should have performed so well when retail shares have so dismally underperformed.

In today's very uncertain conditions in the retail sector, where the buyer is unquestionably king and stands to become even more choosy after April's [illegible] increases, [illegible] looks unsustainable. I suspect that many property investors' perceptions about retailing still reflect the merry days of the 1980s consumer boom. That was heavily influenced by a one-off change in the personal sector's balance sheet and borrowing habits resulting from financial deregulation. It will not be repeated in this half of the 1990s.



Source: UBS

Dull, dull, dull

There are ways of riding the wave of enthusiasm for investment in [illegible] without suffering the loss of income that comes [illegible] investing directly in beans, bellies and white rhino hides.

Consider Hanson which reports next week. This was once a dull company with lively, acquisitive management. Now it looks to some investors like a dull company [illegible] a dull and ageing top management [illegible] products [illegible] dull [illegible] they [illegible] appealing in a market where anything [illegible] exciting [illegible] horribly expensive.

[illegible] sound [illegible] formula [illegible] stage [illegible] cycle [illegible] retailing, especially [illegible] they [illegible] potential [illegible] Hanson, with [illegible] US [illegible] strike [illegible] of the way and the UK domestic economy on the mend. Disposals, notably that of Beazer Homes USA, add another layer to the gloss. Divestments make [illegible] acquisitions in such an overheated market and at Hanson this well packaged story comes with a yield attached of only marginally less than 5 per cent.

However it is still hard to buy the commodities story in an economic cycle where the [illegible] of the big industrialised [illegible] so unsynchronised and there is so much [illegible] still going on in Japan and continental Europe.

Growth in China and the dynamic Asian economies will ultimately make big demands on energy and other raw materials markets, but the officials in Beijing are trying to damp down the rip-roaring Chinese economy. And there is something uncomfortably suspicious about a market in which highly leveraged hedge fund operators succumb to an outbreak of serious long-termism.

The convincing aspect at Hanson consists largely of that yield, which is nearly 50 per cent more than the market average. But this is no time to be snobbish about such things.

It is certainly not when so many other current analysts' favourites in dull, old-fashioned British engineering are yielding less than Hanson and sport multiples that are discounting rising earnings for as far as the eye can see.

Take British Steel, where on some estimates the prospective 1995 price earnings ratio is a little less than 20 and today's yield is 1.3 per cent. No doubt the dividend will be raised as earnings recover. But that is, in the analytical jargon, a forward looking rating, as are those at companies like GKN and Lucas Industries.

Now turn to the unfashionable financial sector and compare those ratings with General Accident, where the current yield is 5.1 per cent. There are worries about where the insurance cycle will peak, but we do know that GA does not cut the dividend.

If you think that the bull market is alive and well, and that last week's dizzy spell was [illegible] blip, you will [illegible] concerned. Remember, however, [illegible] economic cycle in [illegible] are playing a disproportionate role [illegible] financial intermediation, whereby money is channelled from savers and lenders to borrowers and spenders.

In the words of Mr Brian Reading of Lombard Street Research, the S&P is the American money supply. So if Mr Greenspan's monetary tightening in the US is to work, and if Wall Street still exerts an influence on London, Standard & Poor's 500 index, and indeed all the other relevant indices, have to undergo a correction.

The case for the income defence rests.

Total return in local currency to 10/2/94

	% change over period					
	US	Japan	[illegible]	France	Italy	UK
Cash						
Week	[illegible]	0.04	0.12	0.12	[illegible]	0.10
Month	[illegible]	0.20	[illegible]	0.55	0.72	[illegible]
Year	[illegible]	[illegible]	7.25	[illegible]	[illegible]	[illegible]
[illegible] 3-5 year						
Week	[illegible]	0.10	-0.29	[illegible]	0.05	-0.47
Month	[illegible]	[illegible]	-0.65	-0.58	0.89	[illegible]
Year	8.81	7.19	[illegible]	[illegible]	24.18	[illegible]
[illegible] 7-10 year						
Week	-1.04	[illegible]	-0.61	-0.31	-0.22	-1.13
Month	-1.42	-3.49	-1.35	[illegible]	0.89	[illegible]
Year	9.71	[illegible]	13.15	18.95	[illegible]	[illegible]
Equities						
Week	-1.6	-0.3	-3.2	-1.2	1.1	[illegible]
Month	-0.3	6.7	-6.1	0.1	15.2	-0.1
Year	[illegible]	[illegible]	[illegible]	31.4	[illegible]	27.7

Best performing stocks from FT-A World Indices in local currency to 10/2/94

	Close	% change [illegible]	Month	Year
[illegible] B [illegible]	24.8	23.3	[illegible]	[illegible]
[illegible]	7.80	21.9	17.3	217.9
[illegible]	1,600.00	[illegible]	100.0	183.2
[illegible] Corp. [illegible]	708.00	18.4	41.9	[illegible]
[illegible]	3.75	15.4	17.2	31.8
Aalborg [illegible]	700.00	[illegible]	34.6	77.2
Murray & [illegible]	88.00	14.4	22.9	[illegible]
Samancor [illegible]	36.50	14.1	25.9	[illegible]
NL [illegible]	8.63	13.1	68.3	[illegible]
Ferruzzi Fin. [illegible]	825.00	13.0	80.2	8.1

[illegible] - Lehman Brothers. Equities - © [illegible] Securities. [illegible] Indices are [illegible] by The [illegible] Limited, Goldman Sachs & Co., and NatWest Securities Limited.

Economic Eye / **Edward Balls**

Wages, skills and inequality in a modern economy

The Institute for Fiscal Studies is justly proud of its dual reputation for providing sound economic analysis without even a hint of political bias. It is much harder for the government to evade the charge that recent and proposed tax changes are taking money from people with below-average incomes and transferring it to above-average income households when it is the IFS which makes the claim, as [illegible] week.

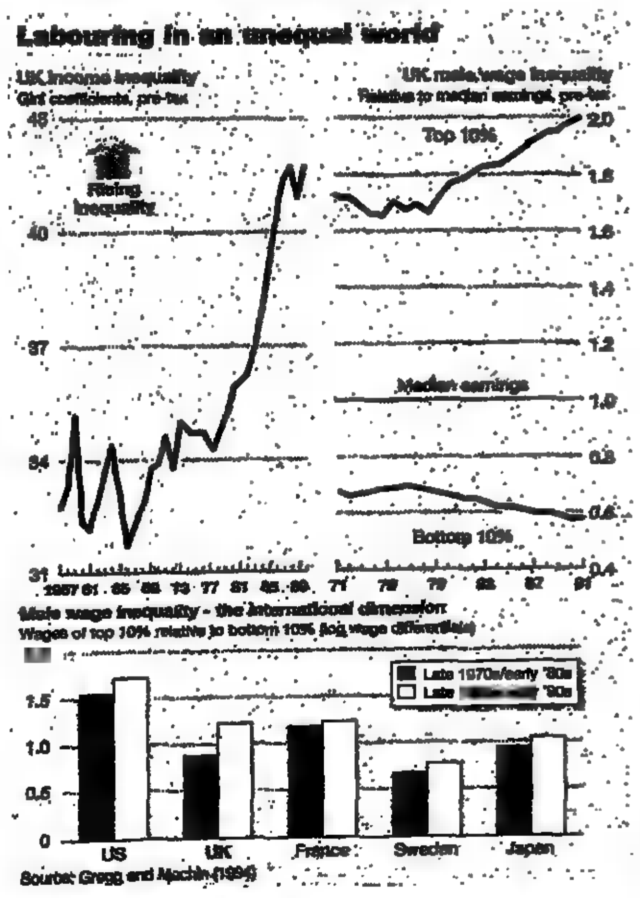
By choosing [illegible] the period [illegible] authors [illegible] IFS report, Christopher [illegible] and Paul Johnson, [illegible] their numbers could not [illegible] used [illegible] make headline-[illegible] claims [illegible] overall [illegible] changes since [illegible] Labour government. [illegible] were striking, nonetheless.

The combination of tax cuts in the late 1980s and the current package of tax increases mean the poorest 10 per cent of households [illegible] up £156 [illegible] worse off. The top 10 per cent are £1637.60 a year better off.

Yet analysing the effects of tax changes on the distribution of income tells only part, and a part which is reducing in significance, of the story of the rapid growth in inequality [illegible] the past [illegible]. For, as [illegible] left-hand [illegible] in [illegible] and benefits have compoun[illegible] massive rise in gross [illegible] inequality [illegible] the late 1970s.

Inequality is measured here by an index called [illegible] Gini coefficient. The higher the figure, the more [illegible] distribution [illegible] income is skewed [illegible] smaller number [illegible] high income earners. Zero indicates a [illegible]pletely equal distribution, one means that one person [illegible] the lot.

The main causes of this rise in pre-tax inequality [illegible] fold: long-term unemployment and the growing dispersion in wages [illegible] high and low income [illegible]. Unemployment was much higher and more persistent in [illegible] 1980s than [illegible] any previous decade [illegible] while the large majority of women who entered employment did so from households with at least one other income earner.



Source: Gregg and Machin (1994)

Meanwhile wage inequality has risen sharply, particularly for men. The wages of the top 10 per cent of male earners have risen from 1.67 times the median wage in 1979 to twice the median in 1993. Over the same period the wages of the poorest paid 10 per cent have fallen from 68.5 per cent to 58.2 per cent of the median.

UK wages are now more unequal than at any time since the 1880s when comparable records began. Wage inequality has grown in almost every developed country over the last twenty years. But wage inequality has grown faster in Britain than in almost any other developed country, catching up with France and overtaking Japan, as the chart confirms.

Allocating the growth in overall household income inequality among unemployment, earnings and taxes and benefits [illegible] tricky [illegible]. One analysis conducted by Paul Johnson and Steven Webb of the IFS found that, over the period 1979 to 1988, changes in taxes explained half the rise in inequality. [illegible] another study by Stephen [illegible] University College, Swansea found [illegible] much greater role for wages and employment and a consequently [illegible] tax changes.

However in [illegible] the [illegible] allocated, [illegible] evidence suggests that inequality [illegible] wage-earners [illegible] increasingly becoming [illegible] most important cause [illegible] income inequality and poverty. This [illegible] certainly the [illegible] in the US, where much of the best research on [illegible] inequality has been performed. And it is [illegible] for the UK in an important paper by Paul Gregg [illegible] Machin, [illegible] published next month by the National Institute of Economic and Social Research in a new book on the UK labour market.

They find that the [illegible]tional link between poverty and its standard causes – average real wage growth, unemployment and inflation – broke down in the 1980s, as it also did in the US. The combination of low inflation, falling unemployment and rising real wages would normally have delivered a substantial fall in the percentage of the population in poverty, defined as being below half the median of the 1979 level of real expenditure.

However the rapid growth of wage inequality which occurred throughout this period has delivered the opposite result. The percentage of the population with poverty-level expenditure continued to grow to more than a fifth of the population by the end of the decade.

The causes of this persistent unemployment and rising wage inequality have the same root cause, both in the UK and in the US, the rise in the economic return to skilled labour and the declining demand for the capabilities of unskilled [illegible].

[illegible] wages which [illegible] workers can demand has risen over the past fifteen years, despite an increase in the supply of highly educated workers. The proportion of workers with degrees rose from 8 per cent to 11 per cent across the 1980s. However, while the percentage of workers with no qualifications fell from 46 per cent to 32 per cent, the male unemployment rate among this group rose from 6.5 per cent in the 1970s to 16.4 per cent by the end of the 1980s.

Moreover, Gregg and Machin confirm that the same technological changes which have produced this shift in demand from unskilled to skilled workers in the US have also been at work in the UK. While lower-paid service sector jobs have been replacing manufacturing jobs, both wage differentials and employment shares within manufacturing and within particular industries have shifted in favour of non-manual, better educated workers.

In short, the growing gap in [illegible] job-chances between people with the skills demanded by today's employers and workers with no qualifications is the main [illegible] poverty and inequality in Britain and across the developed, world.

Addressing this reality is the political challenge if the 1990s. Fiddling with the tax system cannot, alone, do the trick.

WORLD BOND MARKETS: This Week

NEW YORK — Richard Waters

After its bout of nerves for most of last week, the bond [illegible] will [illegible] plenty [illegible] new economic [illegible] to feast on in the coming days, culminating in January consumer price inflation figures on Thursday.

Judging by data released on Friday, though, investors will still have trouble deciphering whether inflationary pressures are on the rise again. Producer price inflation in January, [illegible] 0.2 per cent, was [illegible]. After the upward drift in bond yields which followed the Fed's move to tighten rates the week before, this came as a relief. The yield on the benchmark 30-year bo[illegible] fell back to 6.4 per cent by the end of Friday.

However, one component of the producer price numbers – a 0.6 per cent rise in capital goods prices – prompted some concern.

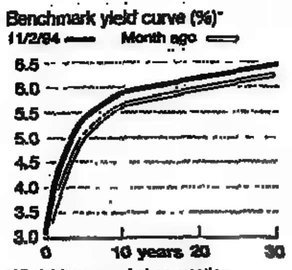
This Tuesday will bring figures on the growth in industrial production in January (generally expected [illegible] 0.7–0.8 [illegible] cent, broadly in line [illegible] the previous two months) pushing capacity utilisation up from December's 82.8 per cent [illegible] over 83 per [illegible].

[illegible]mer prices [illegible] expected to show a rise of around 0.4 per cent for January (0.3–0.4 per cent excluding food [illegible] energy). That [illegible] [illegible]gger ad[illegible] than in [illegible] months, but would still bring the year-on-year rate down [illegible].

US

Benchmark yield curve (%)*

11/2/94 — Month ago



*All yields are market convention
Source: Merrill Lynch

LONDON — Philip Coggan

Economic statistics are starting to behave like London buses. Nothing significant [illegible] for [illegible] days; and then three or four important figures turn up at once.

The main traffic jam will be on Wednesday, when the gilts market can choose from retail sales, unemployment, average earnings and the public sector borrowing requirement.

But the key statistic for gilts investors will undoubtedly be January's [illegible], also out on that day. The market was rather confused by last week's quarter point base rate cut, which the Bank [illegible] England linked to [illegible] Quarterly Inflation Report. However, the report's forecast [illegible] underlying inflation in [illegible] – in the upper part [illegible] the [illegible]'s [illegible] – [illegible] not [illegible] justify [illegible] cut.

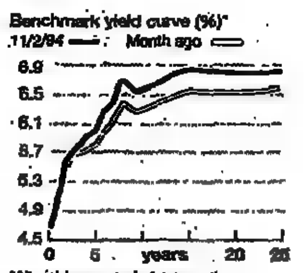
Both headline and underlying [illegible] expected to rise, as a very good January [illegible] figure drops [illegible] of [illegible] annual comparison. But any figure significantly above the 2.6 per cent consensus of headline RPI growth [illegible] cent for underlying inflation) is likely to dent confidence further.

The markets will also watch for further details of the next gilts auction. The Bank of England [illegible] on Friday that it would be offering stock [illegible] a maturity [illegible] between 2000 and 2004, rather longer than expected.

UK

Benchmark yield curve (%)*

11/2/94 — Month ago



*All yields are market convention
Source: Merrill Lynch

FRANKFURT — David Waller

A steep rise in yields on German bunds [illegible] the course of last week reflected poor conditions in the US markets – [illegible] on German government securities rose [illegible] 5.71 per ce[illegible] the [illegible] the week.

The trend is likely [illegible] be reversed only if the Bundesbank policy-making council chooses this Thursday [illegible] a long-awaited cut in short-term interest rates.

The fundamentals support such a [illegible] – inflation is dropping and money supply growth in January [illegible] to be back to manageable levels after the embarrassingly high 8.1 per [illegible] increase in the seasonally adjusted figure for December. January data [illegible] released this week.

Timing considerations alone suggest that this Thursday may be [illegible] good moment to [illegible] – it is unlikely that the Bundesbank will want to ease [illegible] later (when [illegible] changes to minimum reserve requirements [illegible] effect).

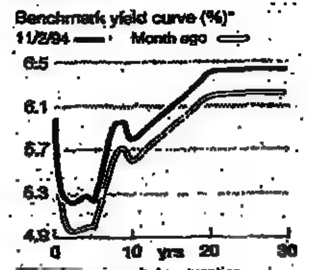
But the central bank is unlikely to want to ease monetary policy further before [illegible] acceptable [illegible] deal is reached in the engineering sector. Talks between [illegible] IG Metall [illegible] broke up on Friday night without an agreement. A [illegible] on Thursday [illegible] the wrong signal.

The markets will thus pay [illegible] developments on the pay round.

Germany

Benchmark yield curve (%)*

11/2/94 — Month ago



[illegible] are market convention
Source: Merrill Lynch

TOKYO — Emiko Terazono

The breakdown of last Friday's trade talks between Mr Morihiro Hosokawa, the Japanese prime minister, and Mr Bill Clinton, US president, may be good news for the Japanese bond market.

The yen, which closed in Tokyo at Y108.25 on Thursday, jumped to Y106 against the dollar in New York following the failure of the US-Japan [illegible] on anticipation [illegible] US officials will support a stronger Japanese currency to try and curb Japanese exports.

This may lead to l[illegible] Japanese interest rates, as the Bank of Japan will want to avoid the negative impact of the higher yen on the stock market ahead of the March book closing and will ease short-term money market rates.

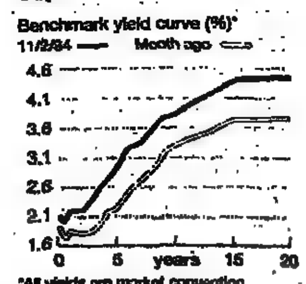
With traders looking for [illegible] to buy bonds now that concerns of over-supply from the income tax cut and economic [illegible] package financing are finally discounted into prices, the market may be set for a mini-rally. The No 157 10-[illegible] benchmark, which closed at 3.46 per cent last Thursday, may fall to [illegible] per cent.

Although some banks and corporate investors will continue [illegible] take profits [illegible] their holdings to supplement their earnings ahead of the March year-end, the outlook on the [illegible] still looks gloomy and long-term bond yields may fall along with short-term in[illegible] rates.

Japan

Benchmark yield curve (%)*

11/2/94 — Month ago



*All yields are market convention
Source: Merrill Lynch

Capital & Credit / Conner Middelmann

Gilts in for another bumpy ride

The [illegible] England's [illegible] cut, rising [illegible] bond yields following the Fed's unexpected tightening and talk [illegible] heavy [illegible] selling sent [illegible] tumbling [illegible] week, and amid [illegible] cloudy international [illegible] UK [illegible] week, [illegible] for another bumpy [illegible].

"I expect gilts [illegible] volatile, [illegible] downward bias," predicts Mr John Shepperd, chief economist [illegible] Yamaichi International. In [illegible] week, gilt yields rose by about [illegible] basis points across the curve, steepening to the 10-year area but flattening to the long end [illegible] yield curve, he [illegible].

[illegible] recent poor performance against its European [illegible] parts has largely [illegible] dramatically underperformed [illegible] bunds [illegible] recent [illegible] the 10-[illegible] yield [illegible] over bunds doubling to around 80 basis points on Friday from 40 basis points [illegible] January 24.

"Gilts' underperformance shouldn't [illegible] in [illegible] sustained way – spreads have wid[illegible] enough to [illegible] risk premium," said Mr Ifty Islam, European [illegible]mist [illegible] Merrill Lynch. [illegible] fear that [illegible] point [illegible] on Tuesday may have [illegible] investor confidence, resulting in a higher risk premium [illegible] gilts.

[illegible] was [illegible] timing [illegible] the [illegible] puzzled investors, leading many to wonder [illegible] it had been politically rather than economically inspired. [illegible] only [illegible] it come during [illegible] difficult [illegible] the government, [illegible] it was fol[illegible] the same day by [illegible] England Inflation Report [illegible] that the [illegible] rise in underlying [illegible] were greater [illegible] those of [illegible] fall. Some also felt that the small size of the cut [illegible] a compromise [illegible] Treasury, [illegible] larger cut, and [illegible] wanted none.

"The [illegible] is [illegible] be [illegible] may be [illegible] too [illegible] on inflation," [illegible] Mr Shepperd [illegible] Yamaichi.

However, [illegible] and gloom [illegible] overdone. Mr Roger Bootle, [illegible] economist [illegible] Midland Global Markets, argues [illegible] shares, gilts and sterling, vulnerable [illegible] their December rally, [illegible] "set for [illegible] fall, more [illegible] may". In [illegible] like this, [illegible] argues, "it [illegible] important [illegible] keep [illegible] fixed [illegible] fundamentals: [illegible] still [illegible] fall in France, Germany [illegible] UK, [illegible] inflation [illegible] to reach [illegible] very low levels."

With inflation [illegible] forefront of everyone's mind, Wednesday's publication of the January retail price index will be keenly watched. The market consensus is for the headline rate to have risen to 2.6 per cent from 1.9 per cent in December and for the rate ex[illegible] to have risen to 3 per [illegible] from [illegible] per [illegible].

"[illegible] month's RPI [illegible] won't help gilts, but as [illegible] inflation picture improves over [illegible] months, gilts' yield premium [illegible] back," says Mr Michael [illegible], UK economist at Salomon [illegible]. "Tactically, the rate [illegible] was messily presented, [illegible] inflation [illegible] will [illegible]ally [illegible] it was justified."

[illegible] optimistic. Mr Julian Callow, [illegible] economist [illegible] Kleinwort Benson, [illegible] real commodity prices [illegible] global demand picks up. Moreover, "our expectation [illegible] a 10 [illegible] cent depreciation [illegible] sterling/dollar this year will [illegible] place upwards pressure [illegible] import prices," he says. Last, [illegible] increasing headline inflation rate, together with [illegible] strengthening economy, suggests UK earnings growth could rise, he warned. "This is likely to be treated especially badly by the gilt market, as a [illegible] of higher [illegible]."

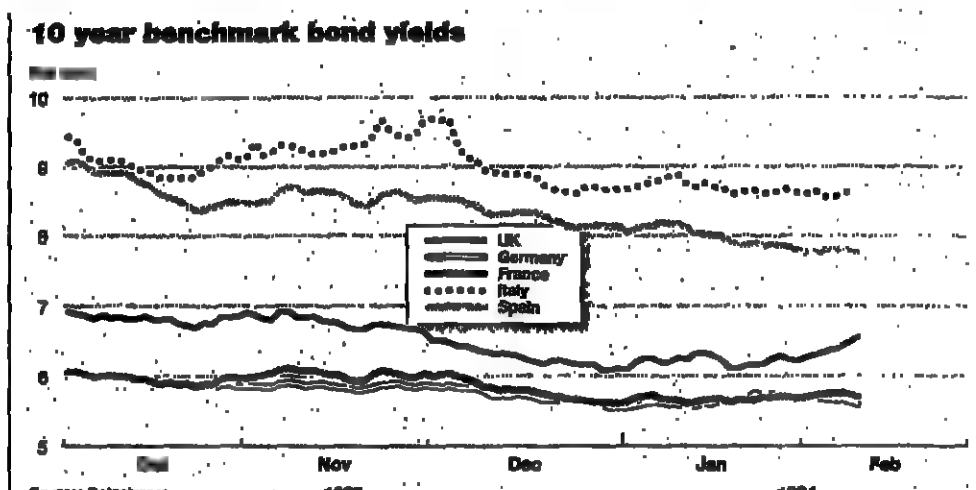
Gilts [illegible] vulnerable to [illegible] in US bonds after the Fed's tightening. Investors have long judged the US experience as a guide for the UK, and "with the Fed now tightening, the perception is that the next market to suf[illegible] in cyclical terms [illegible] the UK," says Mr Shepperd.

However, while the short-term outlook for gilts [illegible] glum, [illegible] further rally, [illegible] in the bund [illegible] and several months of stable core inflation in the UK.

"Although gilts are further ahead in the cycle than most [illegible] European [illegible] markets, [illegible] likely [illegible] stay [illegible] fall [illegible] little further from here, and we see no [illegible] danger arising [illegible] inflation [illegible] stage," [illegible] Fesser, head [illegible] fixed-income at DWS, the investment [illegible] of Deutsche Bank. "We haven't been sellers of gilts – actually, we bought some more on Friday to get in at the current lower levels."

A key test [illegible] overseas demand will come next week, when the Bank of [illegible] auc[illegible] 2000–2004 maturity [illegible]. Foreigners [illegible] 10-year maturities, and [illegible] that this sector saw the [illegible] losses in recent weeks, [illegible] 10-year auction "[illegible] be [illegible] opportunity [illegible] overseas investors [illegible] into gilts," [illegible] Merrill's Mr Islam.

10 year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.00	1.75	5.75	7.00[1]	8.00	5.25[2]
Overnight	3.13	2.25	6.13	6.37	8.43	3.75
Three month	3.33	2.18	5.87	6.18	8.32	5.12
One year	3.65	2.30	5.81	5.82	7.81	5.12
Five year	5.33	2.76	6.27	6.37	8.29	5.96
Ten year	5.88	3.45	5.78	5.89	8.88	6.58

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	114-15	115-03	+0.18	115-04	114-02	386,170	[illegible]
Jun	113-15	114-01	+0.18	114-02	113-02	7,407	[illegible]
Sep	112-08	113-05	+0.18	113-05	112-07	1,615	34,660
Dec	112-14	112-23	+0.18	112-23	111-27	-	-

UK GILTS PRICES

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts (Lives up to Five Years)						
Treas 14½pc 1994‡‡	100xd	—	850	Mr1 Se1	26.7	1307
Exch 13½pc 1994	101[illegible]	-.1	1,100	Ap27 Oc27	20.9	1257
Treas. 10pc Ln. 1994‡‡	101[illegible]	-.1	1,900	Ja9 Jy9	[illegible]	[illegible]
Exch 12½pc 1994	103[illegible]xd	-.1	1,240	[illegible]	18.7	1263
Treas 9pc 1994‡‡	102[illegible]	-.1	1,800	My17 Nv17	11.10	1345
12pc 1995	108[illegible]	-.1	2,360	Ja25 Jy25	20.12	1284
Exch 3pc Gas 90-95	[illegible]	—	[illegible]	My1 Nv1	[illegible]	[illegible]
10¼pc 1995	107¼	—	[illegible]	Ja21 Jy21	[illegible]	[illegible]
Treas 12¾pc 1995‡‡	112[illegible]	-.1	840	My15 Nv15	[illegible]	[illegible]
14pc 1996	115[illegible]	-.2	[illegible]	[illegible]	18.12	1305
15¼pc 1996‡‡	120[illegible]	-.3	[illegible]	[illegible]	27.9	1309
Exch 13¼pc 1996‡‡	118[illegible]	-.2	800	My15 Nv15	11.10	1298
Conversion 10pc 1996	111	-.4	3,409	My15 Nv15	11.10	1240
Treas 13¼pc 1997‡‡	120	-.6	[illegible]	Ja22 [illegible]	[illegible]	[illegible]
Exch 10½pc 1997	113xd	-.6	3,700	Fe21 Au21	18.7	[illegible]
Treas 8¾pc 1997‡‡	108¼xd	-.5	[illegible]	Mr1 Se1	28.7	[illegible]
Exch 15pc 1997	129¼	-.6	830	Ap27 Oc27	[illegible]	[illegible]
9¾pc 1998	112[illegible]	-.5	3,550	Ja19 Jy19	[illegible]	[illegible]
Treas 7¼pc 1998‡‡	104¼	-.6	[illegible]	[illegible]	24.8	-
7¼pc 1998 B‡‡	104[illegible]	-.5	[illegible]	[illegible]	-	-
Treas 6¾pc 1995-98‡‡	101[illegible]	-.1	[illegible]	[illegible]	[illegible]	1331
14pc '98-1	123[illegible]	-.6	[illegible]	[illegible]	18.10	1306
Treas 15½pc '98‡‡	137[illegible]	-.6	835	Mr30 Se30	24.8	1308
Exch 12pc 1998	123[illegible]	-.6	3,909	My20 Nv20	14.10	1259
Treas 9½pc 1999‡‡	114[illegible]	-.7	1,900	Ja15 Jy15	[illegible]	[illegible]
Five to Fifteen Years						
Exch 12¼pc 1999	125[illegible]	-.7	3,050	[illegible]	[illegible]	[illegible]
Treas 10½pc 1999	115¾	-.7	[illegible]	My19 Nv19	[illegible]	1264
Treas 6pc 1999‡‡	99[illegible]xd	-.7	[illegible]	Fe10 Au10	[illegible]	-
Conversion 10¼pc 1999	118¼	-.8	1,798	My22 Nv22	18.10	1242
9pc 2000‡‡	113½xd	-.7	6,358	Mr3 Se3	28.7	1244
Treas 13pc 2000	133[illegible]	-.7	3,171	Ja14 Jy14	[illegible]	[illegible]
10pc 2001	119xd	-.8	4,406	Fe26 Au26	[illegible]	[illegible]
7pc '01‡‡	103⅞	-.9	3,250	[illegible]	-	-
9¾pc 2002	110¾xd	-.9	6,527	Fe27 Au27	21[illegible]	[illegible]
8pc 2003‡‡	109¾	-1.0	7,600	Ja10 De10	3.11	-
10pc 2003	122¼xd	-1.0	2,503	Mr8 Se8	2.8	1281
[illegible] 2001-4	120[illegible]xd	-.8	1,820	Mr19 Se19	13.8	1280
Funding 3½pc '99-4	[illegible]	-1.2	843	Ja14 Jy14	[illegible]	[illegible]
Conversion 9½pc 2004	[illegible]	-1.2	3,412	Ap25 Oc25	[illegible]	[illegible]
Treas 6¾pc 2004‡‡	101[illegible]	-1.3	3,250	My26 Nv26	-	-
6¾pc 2004 A	101[illegible]	—	3,000	My26 Nv26	-	-
Conv 9½pc 2005	[illegible]	-1.2	4,842	[illegible]	[illegible]	1247
Treas 12½pc 2003-5	[illegible]	[illegible]	[illegible]	My21 Nv21	16.10	1290
[illegible] 2006‡‡	[illegible]	-1.4	[illegible]	[illegible]	2.8	-
8pc 2002-6‡‡	[illegible]	-.8	2,000	[illegible]	[illegible]	[illegible]
Treas 11¾pc 2003-7	131¾	-.8	[illegible]	Ja22 Jy22	[illegible]	[illegible]
Treas 8½pc 2007‡‡	114¼	-1.4	5,407	Ja16 Jy16	[illegible]	[illegible]
13½pc '04-8	[illegible]	-.9	[illegible]	Mr26 Se26	[illegible]	1301
Treas 9pc 2008‡‡	[illegible]	-1.3	5,321	Ap13 Oc13	6.8	1343
Over Fifteen Years						
Treas 8pc 2009	110[illegible]	-1.4	3,100	Mr25 Se25	18.8	1338
Treas 6 1/4pc 2010 (£50pd)	44½	-3.3	2,750	-	-	-
Conv 9pc Ln 2011‡‡	121[illegible]	-1.3	4,273	Ja12 Jy12	6.12	1349
Treas 9pc 2012‡‡	122[illegible]	-1.4	[illegible]	[illegible]	31.12	1701
Treas 5½pc 2008-12‡‡	[illegible]	-1.9	1,000	[illegible]	4.8	1330
Treas 8pc 2013‡‡	[illegible]	-1.3	4,950	[illegible]	21.6	-
7¾pc 2012-15‡‡	[illegible]	-1.4	[illegible]	Ja26 Jy26	20.12	[illegible]
Treas 8¾pc 2017‡‡	122⅝xd	-1.7	6,950	Fe25 Au25	19.7	[illegible]
Exch 12pc '13-'17	[illegible]	-1.3	1,000	Ja12 De12	6.11	1260
Undated						
Consols 4pc	[illegible]	-2.7	358	Fe1 Au1	[illegible]	[illegible]
War Loan 3½pc‡‡	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Conv 3½pc '61 Aft	67[illegible]	-1.0	119	Ap1 Oc1	25.8	1243
Treas 3pc '66 Aft	41½	-1.9	56	Ap5 Oc5	1.9	1324
Consols 2½pc	35⅝	-1.7	275	5JaApJyOc	[illegible]	[illegible]
Treas. 2½pc	[illegible]	[illegible]	475	Ap1 Oc1	25.8	[illegible]
Index-Linked (b)						
Treas. 2pc '94 (102.9)	197¼	—	800	[illegible]	11.10	3070
2pc '96 (67.9)	202¼xd	0.2	1,200	[illegible]	[illegible]	[illegible]
[illegible]	111[illegible]	-.3	800	[illegible]	20.9	-
2½pc '01 (78.3)	174¾	-.6	1,800	[illegible]	18.8	1319
2½pc '03 (78.8)	171¾	-.6	1,050	My20 Nv20	14.10	1317
4⅜pc '04‡‡ (135.6)	118⅛	-.7	850	Ap21 Oc21	14.9	-
2pc '06 (69.5)	181¼	-.9	1,850	Ja19 Jy19	[illegible]	[illegible]
2½pc '09 [illegible]	[illegible]	-1.1	1,550	My20 [illegible]	14.10	1318
2½pc '11 [illegible]	171[illegible]xd	-1.0	[illegible]	Fe23 Au23	[illegible]	[illegible]
2½pc '13 [illegible]	141[illegible]xd	-1.0	2,300	Fe16 Au16	12.7	[illegible]
2½pc '16 (81.6)	152⅞	-1.1	2,400	Ja26 Jy26	[illegible]	[illegible]
[illegible] (83.0)	[illegible]	-1.2	2,400	Ap16 Oc16	[illegible]	[illegible]
[illegible] '24‡‡ (97.7)	[illegible]	-1.2	1,900	Ja17 Jy17	13.12	1323
4⅛pc '30‡‡ (135.1)	[illegible]	-1.2	[illegible]	[illegible]	[illegible]	[illegible]
Other Fixed Interest						
African Dev 11¼ 2010	[illegible]	-1.1	60	Ja4 Jy4	1.12	-
[illegible] Dev 10¼pc 2009	[illegible]	[illegible]	[illegible]	Mr24 Se24	28.3	-
[illegible] 11½pc 2012	137	-2.7	[illegible]	My15 Nv15	17.4	1837
Ireland Cap 8½pc '10	113	-.7	203	Ap1 Oc1	-	1468
[illegible] 1996	103	-.5	725	Ja30 Jy30	-	-
[illegible]	114¼	0.2	315	Ap1 Oc1	[illegible]	[illegible]
Hydro Quebec 15pc 2011	[illegible]	-1.3	40	[illegible]	[illegible]	-
Leeds 13½pc 2006	145⅝	-2.2	40	Ap1 Oc1	[illegible]	[illegible]
Liverpool 3½pc Irred.	43¼	-2.8	6	1JaApJyOc	[illegible]	[illegible]
LCC 3pc '20 Aft	38¼	-3.1	[illegible]	[illegible]	1.8	-
Manchester 11½pc 2007	131½	-2.6	[illegible]	[illegible]	20.3	3275
Met. Wtr. 3pc 'B'	75½	-3.2	[illegible]	[illegible]	[illegible]	3381
N'wide Anglia 3⅞pc 2021	146	-2.5	60	Ja30 Jy30	19.1	3465
4⅛pc IL 2024	140½	-2.8	80	—	20.7	-
[illegible]	154¼	-2.4	60	Mr1 Se1	27.8	-

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. [illegible] May 1993: 141.1 and for December 1993: 141.9.

● Tap stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

International / Antonia Sharpe

Strong backing for global concept

The Asian Development Bank's announcement last week that it intends to raise one-quarter of [illegible] $2.8bn borrowing programme for fiscal 1994 through its first offering of global bonds is [illegible] huge publicity coup for the investment banks which have [illegible] actively promoting [illegible] global bond concept.

The [illegible] of the global bond market is all the more significant because of its close identification with the dragon bond market, which it helped [illegible] up more than three years ago in an effort to develop the capital markets in Asia.

[illegible] their very nature, the dragon bond and global bond [illegible] to [illegible] mutually exclusive. Dragon [illegible] are targeted [illegible] non-Japanese [illegible] in [illegible] but [illegible] are designed [illegible] be [illegible] investors across the world [illegible] single world price.

[illegible] importantly, perhaps, [illegible] the global [illegible] market with liquidity and 24-hour trading, qualities [illegible] dragon bond [illegible] not yet [illegible] date [illegible] relatively small and infrequent.

But by [illegible] go [illegible] ADB [illegible] effectively thrown [illegible] weight behind [illegible] the trend [illegible] a global capital market is irre[illegible] and [illegible] time, regional markets will become [illegible].

Global bonds have come a long way since the World Bank launched the first issue in 1989 as part of its successful drive to bring the yield spreads on [illegible] bonds [illegible] levels enjoyed by [illegible] federal agencies. [illegible] can now [illegible] issued in a wide range of currencies and maturities and appear to have retained their liquidity in the secondary market to [illegible] greater degree than Eurobond issues of similar sizes.

[illegible] sovereign issuers, notably Italy, have [illegible] global bonds in order to access [illegible] large pool [illegible] investors in the US at [illegible] half the cost of issuing bonds in the Yankee market – the US domestic bond market for foreign issuers.

[illegible] come about as [illegible] result of flexibility on the part [illegible] the US Securities and Exchange Commission in order to encourage more borrowers to make shelf registrations.

Borrowers now only have to [illegible] on the bonds which have been sold into the US and on the lead managers' [illegible] on [illegible] proportion of the whole issue will flow back into the US.

"Many issuers now have to ask themselves why they are not issuing global bonds," says Mr David Karat, managing director at Salomon Brothers, one of the earliest promoters of the global bond market.

Indeed, an increasing number [illegible] names in the [illegible] market are queueing to [illegible] the global bond market. L-Bank, the recently [illegible] LKB Baden-Württemberg, [illegible] about [illegible] an international roadshow [illegible] gauge investor [illegible] in a global [illegible] offering [illegible] either in dollars or D-Marks.

[illegible] Gertraud Foos-Olsson, deputy [illegible] L-Bank's international funding d[illegible]on, [illegible] that, [illegible] market conditions, L-Bank [illegible] raise $1.5bn [illegible] or [illegible] equivalent in [illegible] in [illegible] global bond market by the second week in March.

"Our funding [illegible] is [illegible] big, liquid issues," [illegible] Foos-Olsson. She adds that the global bond market [illegible] for frequent issuers – L-Bank intends [illegible] raise $10bn this [illegible] pared with [illegible] – since they can often get better pricing than in [illegible] Eurobond [illegible].

[illegible] Salomon Brothers say the next stage in [illegible] global bond market's [illegible]opment [illegible] to open [illegible] issuers, [illegible] move which has not [illegible] by syndicate [illegible] who would prefer [illegible] global bond [illegible]ity. "One would not [illegible] bastardise [illegible] concept," [illegible] syndicate [illegible].

Nevertheless, [illegible] bond offering by Argen[illegible] late last [illegible] encour[illegible] other emerging market [illegible] the plunge. Turkey and Hungary have both announced their intention [illegible] bond [illegible] in the near [illegible]. Indeed, inves[illegible] might [illegible] to buy [illegible] by sub-investment [illegible] if they [illegible] in the form [illegible] liquid, global bonds because of the greater likelihood that trading in the bonds will not dry up in the secondary market.

At [illegible] same time, [illegible] try [illegible] market's perceived minimum size [illegible] successful global bond offering from $1bn [illegible] around [illegible]. This would [illegible] issuers with smaller borrowing requirements [illegible] advantage of the [illegible] funding [illegible] offered by [illegible] global bond market.

[illegible] INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
HK China Treasury(a)☆§	120	[illegible]	2.00	100.00	-	-	Daiwa S[illegible]
Kolon Industries(b)§	50	[illegible]	0.25	100.00	-	-	Ssangyong Secs.Europe
Abbey Natl.Treasury Services‡	1bn	[illegible]	(f)	99.71R	-	-	Goldman Sachs Intl.
Grupo Mexicano de Desarrollo	2[illegible]	Feb.2001	8.25#	100.00R	8.250	+255(7⅞%-01)	Bear Stearns Intl.
BHF Finance‡	200	Mar.1999	(d)	99.325R	-	-	Merrill Lynch Intl.
Goldman Sachs Group(k)‡	700	Feb.1998	(e)	100.00R	-	-	Gold[illegible] Intl.
Swedish [illegible] Credit	300	Mar.1997	5.00	100.00R	5.000	+10 (4¾%-97)	Kidder [illegible] Intl.
Bank for [illegible]	150	Mar.1997	5.00	99.93R	5.026	+13½(4¾-97)	Goldman Sachs Intl.
Girocredit [illegible]‡	[illegible]	Mar.2004	(f)	99.876R	-	-	Merrill Lynch Intl.
Ipiranga(s)	[illegible]	Feb.2002	[illegible]	99.60R	8.78	+395(4¾[illegible])	JP Morgan Securities
General Electric Capital Corp.	400	Mar.1999	5.50	99.895R	5.525	+13 (5⅞-99)	[illegible] Bank Corp.
General Electric Capital Corp.	400	Mar.1997	5.00	[illegible]	4.930	+8 (4¾%-97)	[illegible] Bank Corp.
Toyota Motor Credit Corp.	300	[illegible]	[illegible]	100.10R	4.963	+12½(4¾-97)	Swiss Bank Corp.
[illegible]‡	100	Mar.1999	(n)	99.91R	-	-	Chemical Inv. Bank
[illegible] di Napoli(z)‡	[illegible]	Feb.1999	(A)	99.30	-	-	Merrill Lynch Intl.
Banco UNB	50	[illegible]	8.00#	97.483R	9.410	+499 ([illegible]-96)	W[illegible]
Petroleos Mexicanos‡	300	[illegible]	(H)	99.34R	-	-	JP [illegible]
Dresdner Bank‡	[illegible]	Mar.2004	(F)	99.90R	-	-	Dresdner/Lehman Bros.
D-MARKS							
Banco Nacional	100	Mar.1997	8.50	100.40	8.344	-	Commerzbank
L-Bank‡	2bn	Feb.2004	(B)	100.125	-	-	Trinkaus & [illegible]
Deutsche Bau & Boden Bank‡	200	[illegible]	(G)	100.08	-	-	DG Bank
STERLING							
ANB International Finance(c)	50	Mar.1999	3.00	100.00	-	-	Paribas Capital Markets
Halifax Building Society(l)‡	500	Mar.1999	(g)	[illegible]	-	-	[illegible]/SG Warburg
De Beers Centenary Fin.(j,x)	150	Mar.2009	8.25#	[illegible]	8.388	[illegible]	[illegible] Bank
WB Finance(k)	100	Dec.1998	6.375	[illegible]	6.41	[illegible]	Baring Brothers
[illegible] Hypobank(r,l)	50	Oct.1999	6.00	99.25R	6.169	+23[illegible]	Hambros Bank
[illegible] Finance No.2(m)‡	45	[illegible]	(o)	98.80R	-	-	Kleinwort Benson
General Electric Capl.Corp.(k)	150	[illegible]	[illegible]	99.66R	6.287	+19 (8%-99)	Deutsche Bank London
Salomon‡	150	[illegible]	[illegible]	99.355R	-	-	Salomon Brothers Intl.
London & Manchester Group(k)	50	Nov.2004	8.125	99.118R	8.259	+150(6¾%-04)	SG Warburg Securities
Welsh Water Utilities Fin.(C)	100	Mar.2014	7.625	23.905R	7.744	+77 (8%-13)	Baring Brothers
Welsh Water Utilities Finance	100	Mar.2004	[illegible]	99.513R	7.195	+48 (6¾%-04)	Baring Brothers
Dresdner Finance(k)	200	Dec.1999	6.00	98.81R	6.250	+20 (8%-99)	BZW UBS
Commerzbank O'seas Fin.(k)	150	Dec.1998	6.25	99.84R	6.394	+27 (8%-98)	[illegible] Mkts.
Lloyds Bank	[illegible]	Mar.2004	[illegible]	99.663R	7.424	+72 (6¾%-04)	[illegible] Intl.
FRENCH FRANCS							
Crédit Foncier de France(h)	730	[illegible]	7.60	100.00	-	-	Bankers Trust France
Kingdom of Sweden‡	300	Mar.1999	[illegible]	100.00	-	-	Banque Paribas
Soc. Gén. Acceptance‡	800	Jun.2004	(v)	[illegible]70R	-	-	Société Générale
Thompson-Brandt Intl.	1.5bn	Mar.2004	6.375	[illegible]	6.520	+62 (5½%-04)	CCF/ JP Morgan France
CANADIAN DOLLARS							
ING Bank‡	200	Mar.2004	(D)	100.00R	-	-	Kidder Peabody Intl.
AUSTRALIAN DOLLARS							
National Australia Bank	250	Mar.1999	6.25	100.35	[illegible]	-	Hambros Bank
Australian Industry Dev.Corp.	[illegible]	[illegible]	8.50	99.60	6.556	-	BZW
State Bank of South Australia	100	Mar.1998	6.00	100.80	5.770	-	BZW
PESETAS							
European Investment Bank	50bn	Mar.2001	7.50	101.125	7.289	-	Argentaria/B.Santander
DRACHMAS							
European Investment Bank	10bn	Mar.1999	17.50	100.00	17.50	-	ETBA/ Midland Athens
SWISS FRANCS							
Zurich Intl. (Bermuda)(d)φ	500	Mar.2001	2.00	100.00	-	-	Credit Suisse
Nitori Co.(e)☆φ	80	Feb.1998	0.375	100.00	-	-	Swiss [illegible] Corp.
INV(p)φ	100	Mar.2000	2.00	100.00	-	-	Swiss [illegible] Corp.
Bank in Liechtenstein Fin.‡	100	Mar.2000	(w)	100.50	-	-	Swiss [illegible] Corp.
Landis & Gyr (Jersey)(E)φ	100	Mar.2001	2.00	100.00	-	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ☆Private Placement. #Semi-annual coupon and yield. R: fixed offer price. a) Conv price: HK$5.172. FX: 7.7263HK$/$. Puttable on 31/12/97 at 117⅝%. Callable from 31/12/94 subject to 130% rule. b) Conv price: Won47,820. FX: 807.8Won/$. Callable from 22/2/96 subject to 130% rule. c) Redemption proceeds: higher of par or par x FTSE 100 final/(1.2 x 3419.1). Exchangeable for cash 3/3/95-5/3/99 at par x FTSE 100 valuation date/(1.2 x 3419.1). d) Denom: SFr500 + 14 2¾yr wrts. 50 wrts to Zurich Insurance registered share at SFr1,680. e) Denom: SFr50,000 +50 wrts. Ex price: Y3208.30. FX: 74.94Y/SFr. f) Callable on any coupon date from Mar.97 at par. g) 3-mth Libor flat. h) Redemption formula: 75% x (1 + min [illegible] (CAC-40 final-2310.49)/2310.49]). i) 3-mth Libor -⅛%. j) Domestic. k) Short 1st coupon. l) Issue launched 10/1/94 increased to £150m. m) Secured by maintenance leases. Average life: 4.4 yrs. Callable on any coupon date from Mar.98. Simultaneous issue of class B notes. n) 3-mth Libor +0.56%. o) 6⅝% fxd for 1st yr and 31.70% - 5 x 5yr FFr swap rate (fix once only, min zero) thereafter. p) Denom: SFr10,000 +50 2-yr wrts. Each wrt to 1 ING Bank share at Fl80.45. q) 3-mth Libor +⅛%. r) 6-mth Libor -⅛%; min 5⅛%. s) Puttable on 25/2/97 at par. Callable on 25/2/97 at 100.37%. t) 8⅝% for 1st 3 yrs and 10⅝% thereafter. u) 3-mth Libor +0.4%. v) 6½% fxd in 1st 6-mths and 15.2% - 1.85 x 3-mth Pibor thereafter. w) 4% fxd for 1st 2 yrs and 6-mth Libor -0.15%, min 7½%, thereafter. x) Long 1st coupon. y) Callable on any coupon date from Feb 96 at par. z) Issue launched 29/1/94 increased to $250m. A) 6-mth Libor +0.15%. B) 6-mth Libor flat. C) Partly paid: 75% due on 25/12/94. D) 6-mth BA's -0.3%; min 6%, max 9%. E) Denom: SFr5,000 +40 3-yr wrts. 10 wrts to L&G registered share at SFr1,025. F) 6-mth Libor +¼%; min 5⅛%, max 8⅛%. G) 6-mth Fibor -⅛%. H) 3-mth Libor +1%. Note: Yields are calculated on ISMA basis.

LEGAL NOTICES

In the High Court of Justice
Chancery Division No 00520 of [illegible]
Before Registrar Buckley
IN THE MATTER OF
ATLANTIC COMPUTERS PLC
(in administration)
and
IN THE MATTER [illegible]
THE COMPANIES [illegible] 1985

NOTICE [illegible] HEREBY GIVEN that [illegible] dated 1st February 1994 the Court has [illegible] a meeting of the Scheme Creditors of the above-named company (as defined in the [illegible] of Arrangement [illegible] mentioned) to [illegible] convened for the purpose of considering [illegible] if thought fit approving (with [illegible] without modification) a [illegible] of Arrangement proposed to be made [illegible] the said company and the Scheme Creditors and that [illegible] meeting will be [illegible] at [illegible] Price Waterhouse Training Centre, 14 Union Street, London SE1 1SZ at 10.30 am on 16th March 1994.

Any creditor entitled to attend the said meeting can obtain copies of the said Scheme of Arrangement, forms of proxy and copies of the Statement required to be furnished pursuant to section 426 of the above-mentioned Act from the administrators of the above-named company c/o Price Waterhouse, No 1 London Bridge, London SE1 9QL (ref. JFS) and from the office of the undermentioned solicitors at the address mentioned below during usual business hours on any day (other than a Saturday or Sunday) prior to the day appointed for the said meeting.

The [illegible] of the above-named company may vote in person at the said [illegible] or they may appoint another person [illegible] a Scheme Creditor or not as their proxy to attend and vote in their stead.

It is requested that forms appointing proxies be lodged with the administrators of the company [illegible] Waterhouse, No 1 [illegible] Bridge, London SE1 [illegible] (ref: JFS) not later than 10.30 am 14th March 1994, but if forms are not so lodged they may be handed to the chairman at the meeting at which they are to be used.

By the said Order the Court has appointed John Francis Sudon [illegible] failing [illegible] Peter [illegible] Palmore to act as chairman of the said meeting and has [illegible] the chairman to report the results thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the Court.

Dated this 14th day of February 1994
[illegible]
Cameron Markby Hewitt
Sceptre Court
40 Tower Hill
London EC3N 4BB
Ref: SAB/RAL/X0142 0603

[illegible] BANK LIMITED
(IN ADMINISTRATION)

NOTICE IS HEREBY GIVEN THAT:-

1. At a meeting of the [illegible] Roxburghe Bank Limited (in administration) ("the [illegible] Scheme [illegible] then proposed to be made between the Company and the Scheme Creditors of the Company, as set out on pages 17 to 31 of the document sent to creditors of the Company on 8 December 1993 and referred to therein as ("the Scheme"), was approved by a resolution of the Scheme Creditors [illegible] the results [illegible] as follows:-

(a) [illegible] £14,336,394.61 [illegible] Claims [illegible] and

(b) against the Scheme: £nil.

[illegible] Resolution was [illegible] the requisite majority.

2. [illegible] 26 January [illegible] the [illegible] was sanctioned by order of the Court, which order was delivered for registration to the Registrar of Companies, and therefore became effective, on 28 January 1994 ("the Effective Date").

3. In accordance with the explanatory statement sent to Scheme Creditors on 8 December 1993, it is proposed that the first distribution should be made not less than 28 days after the Effective [illegible] it is currently proposed that a first distribution be made on or about 28 February 1994. Accordingly, in order to participate in such distribution, Scheme Creditors are requested to [illegible] in respect of any Scheme Claim which has not yet been notified (whether by a Notice of Claim or by a Deposit Protection Board Claim Form, each as defined in the Scheme), to the Administrators at the address stated below as soon as possible, and in any event, so as to arrive prior to 25 February 1994.

4. All enquiries should be directed to the address below.

The Joint [illegible]
Roxburghe Bank Limited (in administration)
No. 1 London Bridge
London SE1 9QL
Tel: [illegible] Fax: 071-939-4176

METALL MINING CORPORATION

[illegible] OF [illegible] SHARE [illegible] WARRANTS

To the holders [illegible] common share purchase warrants of Metall Mining Corporation issued under a warrant indenture dated as [illegible] March 6, 1991 (the "Warrant Indenture") between Metall Mining Corporation and the Royal Trust Company.

NOTICE is hereby given that, pursuant to the provisions of the Warrant Indenture, the above-noted warrants expire at 4:00 p.m., local time at the relevant office of the R-M Trust Company on March 7th, 1994 (the "Time [illegible] Expiry").

After the Time of Expiry, all rights under any warrant which has not previously been exercised shall wholly cease and terminate and such warrant shall be void and of no [illegible]

DATED at [illegible] Ontario, this 14th day of February, [illegible]

This notice is given by
METALL MINING CORPORATION

COMPANY NOTICES

NK PROPERTIES LIMITED

(Incorporated in [illegible] Africa)
Reg. No. 01/00854/06

DECLARATION [illegible] DIVIDEND AND DEBENTURE INTEREST DISTRIBUTION NO.03

Notice is hereby given that interim dividend No. 03 of [illegible] per share, and debenture [illegible] of 33.272 [illegible] debenture, [illegible] total distribution of 33.3 cents per linked unit, [illegible] declared payable to unit [illegible] registered on [illegible] February 1994. Cheques will [illegible] posted on [illegible] about [illegible] March 1994. S.A. Non-Resident Shareholders' Tax will be deducted [illegible] source where applicable.

By Order of the Board of Directors
AFC Properties (Pty) Ltd.
[illegible]

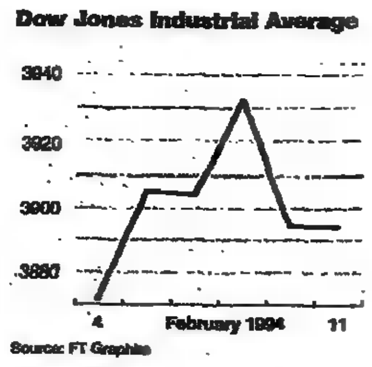
[illegible] Property Management Co. (Pty) Ltd.
12 February 1994

Registered office: 25 Wellington Road, Parktown, 2193
Transfer secretaries: Barclays Registrars, 34 [illegible] Road, Beckenham, Kent BR3 4TU.

EQUITY MARKETS: This Week

NEW YORK
Frank McGurty

Shift in sentiment under way



Source: FT Graphite

After a weekend blizzard, the snow is piled high on Wall Street, but anxiety [illegible] close [illegible] the surface. Analysts say [illegible] surprising political [illegible] development could trip [illegible] the [illegible] share prices tumbling again.

The risk is great, according to Ms *Gail Dudack*, an analyst at SG Warburg in New York, because the market has grown so complacent. For investors accustomed to bullish news, the only true surprises are negative ones. In such an atmosphere, panic selling is easily triggered.

For this reason, Ms Dudack sees the Dow industrial falling [illegible] 3,600 in the coming weeks, *or about* [illegible] per cent, from January 31's peak of 3,978.36.

"Underlying most [illegible] market corrections [illegible] a [illegible] in investor [illegible] from confidence to fear," [illegible] "Ironically, [illegible] comfortable [illegible] a point [illegible] which trends [illegible] about [illegible] change."

She argues the events of the past fortnight leave little doubt that [illegible] a shift is under way. The turning point was [illegible] 96-point battering [illegible] ago, set off by [illegible] Reserve's tightening *the Fed Funds* [illegible]

The plunge may have rattled investors, but did not drain [illegible] confidence. [illegible] equities regained their stride early last week, there were sighs of relief from Wall Street.

[illegible] the balloon, hastily reflated, was quickly burst. The trigger was Thursday's [illegible] by [illegible] Elaine Garzarelli, a respected Lehman Brothers analyst, on CNBC, a [illegible] television. In mid-morning [illegible] reiterated her [illegible] a 4–7 per [illegible] would be "normal" in [illegible] circumstances. Within half [illegible] hour, edginess in the market had turned into [illegible] minor rout, with the Dow losing about 20 points.

Even though [illegible] index *finished 23 points ahead on* the week, "[illegible] vulnerability [illegible] market is not going away", warned Mr Gregory Nie, technical analyst [illegible] Kemper [illegible] in Chicago. *"We may try to trade a little higher* [today] but I expect the market to fall."

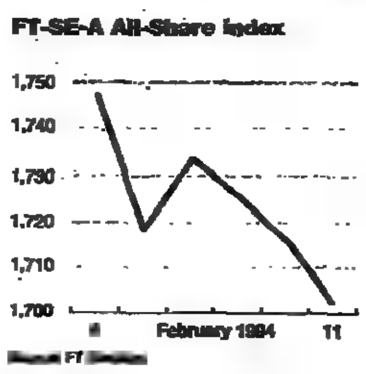
He points out that the Dow utility average, which *often* presages downturns in [illegible] market and parallels trends in interest rates, hit [illegible] Thursday. "If [illegible] to focus on [illegible] could be bad for bonds as well as [illegible]"

In addition, there are several potential triggers lurking on [illegible] political [illegible] *Investors could well react* unfavourably [illegible] Bill Clinton and [illegible] Morihiro Hosokowa, [illegible] Japanese prime minister.

After last Friday's tame producer price data, the financial markets are looking for the same [illegible] Thursday's consumer price report. The Commerce Department's [illegible] capacity utilisation – a keenly watched [illegible] of inflationary pressure in the economy – may pose an obstacle as well. Sharp rises in either figure would raise fears about the Fed bringing forward a second rate [illegible]

LONDON
Steve Thompson

Nerves frayed as storm clouds gather



By the time the expected Wall Street hurricane had swept across the Atlantic and reached a cowed London *market last Monday*, it was no *bigger* than a sizeable squall. [illegible] caused havoc in the market that morning but there was no real structural damage, apart from that to some frayed nerves on London's trading desks.

But [illegible] are plenty of [illegible] gathering over the UK market, many whipped up by unfortunate goings *on in the Conservative Party.*

[illegible] disaster, the [illegible] of Mr Stephen Milligan, MP for Eastleigh, [illegible] government's majority in the House [illegible] Commons is now down *to 15. And the Tories* face some big hurdles in the next few months. The most important dates are May 5, which brings [illegible] UK local elections and [illegible] 9–12, [illegible] sees elections for the European parliament.

There are very real fears that the government will face crushing defeats in both elections, *putting even greater* pressure on the prime minister's tenancy at 10 Downing Street. Markets detest uncertainty and will not be happy until the elections are *out of the way.*

As the stock market was [illegible] Wall Street-inspired [illegible] by the US interest rate rise, the Bank of England caught dealers on the hop again by lopping ¼ of a percentage point off its base rate ahead of an optimistic quarterly report. After an initial sharp rise *the market fell back as strategists* questioned whether there had been an element of political influence in the move.

If the market has had to withstand some selling onslaughts of late, [illegible] there were more of the same on Friday, there is still scope for further damage this week, which sees the start of [illegible] two-week account and brings a deluge of economic data from home and abroad. And the *February reporting season continues* with numbers from such big names as British Airways, Hanson and Glaxo.

Last week's results from two super-heavyweights, BT and BP, provided more than a few crumbs of comfort; BT's figures were better than expected while BP spiced its numbers with details of a big oil discovery west of the [illegible]

The US bond market remains the key to the UK equity market. If [illegible] continue on their recent downward *trend, strategists say, then UK gilts* will similarly come under pressure, dragging equities with them.

Despite the change of direction by leading UK indices this week, there is no shortage of bullish commentators. NatWest Securities sticks with its view that UK interest rates will be cut to 4.5 per cent by the middle of the year. It is even more bullish on the market's second-line stocks, forecasting an end-1994 FT-SE 250 level of 4,800.

In contrast, a most bullish observer *of recent years, Mr Nick Knight of* Nomura, the Japanese stockbroker, caused [illegible] stir [illegible] the end of last week. Although maintaining his year-end FT-SE 100 forecast at 4,000, he said the index could, in what is expected to be a turbulent year, drop to as low as 3,200.

INDICES AT A GLANCE

	Closing price	Percentage Change: Over week	On 12 months	Since Jan 1	12 month High		12 month Low		1994 High		1994 Low	
FT-SE 100	3,378.90	-2.8	+19.2	-1.1	3,520.30	2/2/94	2,786.30	6/5/93	3,520.30	2/2/94	3,360.00	13/1/94
Dow Jones Ind.	3,894.78	+0.6	+13.8	+3.7	3,978.36	31/1/94	3,302.91	18/2/93	3,978.36	31/1/94	3,756.60	3/1/94
Nikkei	19,990.70	-1.6	+17.0	+14.8	21,148.11	13/9/93	16,078.71	29/11/93	20,416.34	1/2/94	17,369.74	4/1/94
Dax	2,090.61	+2.2	+26.6	-7.8	2,267.98	3/1/94	1,603.04	24/5/93	2,267.98	3/1/94	2,075.61	21/1/94
CAC 40	2,275.09	-2.3	+14.4	+0.3	2,355.93	2/2/94	1,835.72	17/5/93	2,355.93	2/2/94	2,234.78	17/1/94
Banca Com. Ital.	680.71	+1.3	+39.6	+14.0	680.71	11/2/94	475.01	31/3/93	680.71	11/2/94	588.85	10/1/94

FT Graphite

OTHER MARKETS

FRANKFURT

The Bundesbank [illegible] on Thursday, [illegible] UBS [illegible] the D-Mark's recent under-performance [illegible] the [illegible] have [illegible] until [illegible] the [illegible] rate cut. Schering, the pharmaceutical and agrochemical [illegible] holds [illegible] annual [illegible] today.

PARIS

The [illegible] of [illegible] public [illegible] for [illegible] Aquitaine, the oil company, will [illegible] closes today, along [illegible] price [illegible] institutions, which [illegible] economics [illegible] suggested could [illegible] a share. [illegible] public [illegible]

A [illegible] of corporate [illegible] due during [illegible] Rhône-Poulenc, the [illegible] and pharmaceuticals [illegible] which was privatised [illegible] the [illegible] year, reports on Wednesday, Cie [illegible] on Thursday and Primagaz, the [illegible] distributor, on Friday.

MILAN

Italy's privatisation extravaganza [illegible] of roadshows to drum up [illegible] in the sale of [illegible] per cent [illegible] Banca Commerciale [illegible] A total [illegible] shares will be offered to Italian retail buyers and 240m to [illegible] investors when [illegible] privatisation begins [illegible] February 28.

Of those on offer to institutions, 60m will be targeted at Italy, 50m at the [illegible] and 130m at the rest of [illegible] world. BCI will be officially priced [illegible] February 26.

ZURICH

[illegible] Vision, the [illegible] specialising [illegible] pharmaceutical [illegible] holdings, [illegible] a press [illegible] tomorrow. Saurer, [illegible] machinery [illegible] technology *group*, [illegible] *expected* [illegible] *report sharply* higher full-year [illegible] profits [illegible] Wednesday.

TOKYO

[illegible] listing of the [illegible] 300 [illegible] Exchange [illegible] prompt active [illegible] trading. *Buying by overseas investors*, [illegible] has supported prices during the [illegible] few weeks, may ease some of the volatility [illegible] by [illegible] linked trading, but in the [illegible] purchases, profit-taking ahead of the March year-end book closing by corporate [illegible] depress [illegible] prices.

RISK AND REWARD

CBOE revives the idea of options on OTC shares

The outstanding performance of [illegible] the-counter [illegible] last year *has prompted* the Chicago Board Options Exchange to attempt [illegible] brave revival of an [illegible] that [illegible] twice failed – derivatives, in this [illegible] options, on an index of [illegible] 100 most heavily capitalised companies traded on the Nasdaq stock market.

Nasdaq, the OTC rival of the [illegible] York Stock Exchange, has grown steadily [illegible] the past 10 years, with share volume rising [illegible] last year from just [illegible] in 1985. Once regarded as a mere upstart compared with organised *exchanges in the US*, Nasdaq carved a niche by listing the [illegible] small growth companies [illegible] trading [illegible] by wire [illegible] telephone.

Many of those companies, like Intel and Microsoft, [illegible] no longer small, but retain their exclusive Nasdaq listings. [illegible] year, Nasdaq matched the NYSE's share volume, although dollar volume, [illegible] lagged the [illegible] board's $2,830bn.

In [illegible] early [illegible] portfolio [illegible] first [illegible] they [illegible] use [illegible] futures [illegible] options to enhance [illegible] returns, leverage portfolios, or gain flexibility [illegible] allocating [illegible] Chicago's futures [illegible] options exchanges [illegible] a [illegible] NYSE-listed [illegible]

However, when they [illegible] the concept [illegible] derivatives [illegible] OTC stocks, they failed miserably. The Chicago Mercantile Exchange and [illegible] Chicago Board of [illegible] spent millions of dollars launching *competing* [illegible] *index futures* in [illegible] in a battle that ended only [illegible] it [illegible] they had misjudged their [illegible] no one was interested [illegible] trading either product.

They beat an [illegible] retreat, [illegible] the idea to the Philadelphia Stock Exchange, *whose options on an index of* 100 OTC stocks rarely trade.

Now, the Chicago [illegible] Options Exchange is trying again. Mr William Floersch, the exchange's vice chairman, *says times have changed*, [illegible] growth companies [illegible] in vogue. Last year, he notes, Nasdaq 100 stocks outperformed more heavily capital- [illegible] indices like the S&P 500.

"The Nasdaq [illegible] time bigger than it [illegible] 1985. We've [illegible] an institutionalisation of Nasdaq stocks," he says. "The Chicago Board [illegible] Trade and [illegible] Chicago Mercantile Exchange had a good idea, but they [illegible] a little ahead of themselves."

[illegible] there [illegible] no [illegible] the Nasdaq 100 stocks, with [illegible] market capitalisation of $269bn, [illegible] popular with retail and institutional investors, equities traders say [illegible] CBOE's Nasdaq 100 index option is like [illegible] legged stool. It needs a complementary futures contract and a mechanism [illegible] executing basket [illegible] "programme" trades in the underlying shares.

[illegible] money managers need all [illegible] to carry [illegible] balanced hedging and arbitrage programmes. The [illegible] S&P 100 index options are arguably [illegible] successful equity index product [illegible] world because they are [illegible] in conjunction with [illegible] CME's [illegible] 500 [illegible] and the [illegible] ing system, [illegible] DOT.

A [illegible] can buy [illegible] index option contract, lay off [illegible] by selling [illegible] contract, and [illegible] purchase [illegible] a [illegible] underlying stocks, all in [illegible] same instant.

In [illegible] Nasdaq market [illegible] capability is lacking, but [illegible] develop in time [illegible] CBOE's new product.

As for a [illegible] futures *contract, CME spokesman* Andy Yemma [illegible] his exchange is considering [illegible] the product [illegible] shot. "The CBOE [illegible] doing the options, [illegible] we co-operate with [illegible] of [illegible] equity products," [illegible] says.

Laurie Morse

EMERGING MARKETS: This Week

The Emerging Investor / **Sara Webb and Shiraz Sidhva**

Damming the flood of Indian issues

India's Ministry of Finance is imposing informal restrictions on Indian companies which [illegible] raise funds in the international capital markets, in *order to* [illegible] uge [illegible] international equity [illegible] convertible bond [illegible] ing [illegible] the market.

Investment [illegible] and potential [illegible] told that permission for new issues will probably be restricted to companies which [illegible] *either heavily* export-oriented, [illegible] involved in infrastructure projects – [illegible] least in [illegible] period to [illegible] end of March.

In addition, ministry [illegible] said they may introduce revised application procedures [illegible] control the subsequent flow [illegible]

"[illegible] over 120 applications for GDRs [global depositary receipts] [illegible] euro-issues pending, and it would [illegible] ble on anybody's part [illegible] examine them more *closely before* granting permission," admits Mr NK Singh, [illegible] official in the Ministry of Finance.

"We are trying [illegible] orchestrate some sequencing, so that companies with strong balance [illegible] and good [illegible] records are given preference [illegible] indif- [illegible] *also* want [illegible] ensure [illegible] there is [illegible] bunching of issues – it is the companies which stand [illegible] gain by this," he added.

Last week [illegible] ministry gave permission for [illegible] big [illegible] – [illegible] $150m (£103m) offering [illegible] Calcutta Electric Supply Corporation [illegible], and a $100m deal for the Mafatlal group, the Bombay-based textiles and petrochemicals manufacturer.

With the [illegible] and deregulation [illegible] Indian economy under Prime Minister PV Narasimha Rao, Indian companies have enjoyed a new-found [illegible] funds abroad. Many are keen to do so in order to pay down domestic [illegible] – on which they [illegible] monly pay interest of some 18 to 19 per cent – or to finance expansion of their existing operations.

Mr Roddy [illegible] *Fleming India Securities,* points out that "[illegible] are [illegible] a hundred companies which want [illegible] do international equity offerings: [illegible] in [illegible] monly have to issue [shares] at [illegible] discount [illegible] price, with an international equity *offering* they can do it at a premium [to [illegible] underlying [illegible] price]".

Barely a week goes by without one of India's bigger companies announcing a new international equity or equity-linked offering.

So far this year, eight companies have [illegible] for [illegible] with [illegible] GDRs or [illegible] vertible bonds, according [illegible] figures compiled by Euromoney Bondware. [illegible] include [illegible] such as Industrial Credit & Investment Corporation [illegible] India (ICICI), Great Eastern Shipping, Indian Rayon & Industries, and Videocon *International.*

Issuance so far this year has nearly reached the level seen in the whole of 1993 when new issues – from companies such as Reliance Industries, Sterlite Industries, and Essar Gujarat – amounted to nearly $900m.

The ministry of finance is concerned that the flood of new international equity offerings could have a detrimental effect on the Rupee's exchange rate, triggered by the inflow of [illegible] *does not want the* Rupee to appreciate against the dollar as this would make India's exporters less competitive internationally. Mr David Maslin, [illegible] Morgan Guaranty Trust Company, points out [illegible] the Reserve Bank [illegible] India [illegible] buying [illegible] the [illegible] months.

More cynical observers of the Indian [illegible] point [illegible] that the ministry's new "slowdown" measures may help to smooth *the path for the $500m interna-*tional share offering [illegible] Videsh Sanchar Nigam Limited (VSNL), the government-owned overseas telecommunications network, due later this month.

The VSNL issue is critical to the government as 70 per cent of the funds will be used to finance the department of telecom's expansion programme.

The government is particularly encouraged by the success of equity issues by private *Indian companies*, and plans to raise money on the international capital markets for many of the public sector companies.

However, it is concerned that indiscriminate borrowing could spoil [illegible] subsequent issues, especially *of government-owned* [illegible] tions that have embarked on privatisation programmes. Officials say they are considering allowing up to three international issues every month to ensure a steady [illegible] of between $1bn and $2bn a year.

Ministry officials said the government may also stipulate that proceeds from international offering be used solely to [illegible] capital expenditure [illegible] repayments of high-cost borrowing *or for working capital* needs. In addition, the ministry may impose a ceiling on borrowing.

Many [illegible] the international offerings by Indian companies have been hailed a success by investment bankers and fund managers.

While the early, pioneering issues were launched at a discount to the underlying share price, subsequent issues were launched at a premium and *performed relatively* [illegible] The heavy [illegible] ply has been snapped [illegible] by specialist Indian funds – emerging market funds – as well as more diversified funds, investment bankers say.

International investors who want to invest directly in the stock market have to apply to be Foreign Institutional Investors. While the domestic market route provides investors with a far wider array of stocks – [illegible] about [illegible] listed on India's various exchanges – [illegible] procedures are [illegible] and [illegible] long delays.

[illegible] prefer [illegible] take the international equity [illegible] "The advantage [illegible] this is the liquidity – it is easier to [illegible] and unwind positions, [illegible] is [illegible] of [illegible] worry," [illegible] one [illegible] fund [illegible]

"[illegible] are a [illegible] place to park [illegible] funds [illegible] the [illegible] is [illegible] quick and there [illegible] potential premium expansion," [illegible] Mr Tristan *Clube*, [illegible] Opportunities Fund, launched last [illegible] by Martin Currie Investment Management. Although [illegible] predominantly in [illegible] domestic [illegible] markets, [illegible] bought shares in four or five [illegible] the recent international equity offerings.

[illegible] tional [illegible] the huge [illegible] invested in emerging [illegible] *generally. "The* [illegible] by [illegible] and [illegible] most people can't invest directly." [illegible] Mr [illegible]

However, [illegible] warn that if the [illegible] new [illegible] continues, [illegible] market could [illegible] from "investor fatigue".

Mr Peter Bassett, head [illegible] emerging market [illegible] Administration Group, [illegible] fund management [illegible] "[illegible] *delighted* [illegible] see a new equity [illegible] but [illegible] having [illegible] now. I don't think [illegible] market [illegible] being well served by the glut of [illegible] a new [illegible] we [illegible] time [illegible] digest".

Ten best performing stocks

Stock	Country	Closing $ close	Week on week change $	%
Telesp (pfd)	Brazil	[illegible]	[illegible]	[illegible]
Usiminas	Brazil	[illegible]	[illegible]	[illegible]
[illegible]	Brazil	[illegible]	0.0043	26.00
Sadia Concordia Industria (Pfd)	[illegible]	[illegible]	[illegible]	23.60
CIA Souza Cruz [illegible]	Brazil	[illegible]	1.4466	[illegible]
TPI [illegible]	Thailand	8.2482	[illegible]	18.46
Copene	Brazil	[illegible]	0.0840	18.06
White Martins	Brazil	[illegible]	0.0000	18.04
Filinvest Land	Philippines	[illegible]	0.0734	17.60
Electrobras (Pfd)	Brazil	[illegible]	[illegible]	[illegible]

Source: Baring Securities

News round-up

Strategy

The tightening [illegible] monetary *policy by* [illegible] Fed was [illegible] in sharp [illegible] Monday in Hong Kong, [illegible] and Kuala Lumpur, [illegible] new year kept activity muted thereafter.

With today's reopening [illegible] the [illegible] many analysts expect a further wobble, but [illegible] necessarily [illegible] heavy [illegible] expect a short-term [illegible] in [illegible] Hang [illegible] and [illegible]

Mutual funds

Emerging market mutual funds [illegible] in industrialised [illegible] held [illegible] of [illegible] (£54.5bn) [illegible] the [illegible] of last year, according [illegible] new figures from Micropal Emerging [illegible] Fund Monitor.

[illegible] of that was in emerging market debt funds. [illegible] the equity funds, some $20.5bn was in Asian regional *funds and* [illegible] *in Asian* single country [illegible] while only $5.1bn was in Latin [illegible] regional [illegible] in single country funds.

Such figures may support [illegible] assertions [illegible] some analysts [illegible] more [illegible] than Latin [illegible] by mutual fund investors [illegible] of [illegible] rises in [illegible] US.

Pakistan

The country's three stock markets, in Karachi, Lahore and Islamabad, are aiming [illegible] streamline their operations so that corporate [illegible] would [illegible] simultaneously.

[illegible] complaints centre will also be [illegible] deal [illegible] problems of [illegible] transfer [illegible] which, in some instances, can [illegible] days.

Israel

[illegible] central bank plans to liberalise foreign currency trading [illegible] as the [illegible] making [illegible] convertible.

The [illegible] said that in [illegible] few months' time trading will [illegible] continuous – [illegible] *present the* [illegible] publishes a representative shekel/dollar [illegible] once a day.

● Further coverage [illegible] markets [illegible] daily on the World Stock Markets page.

[illegible] Securities [illegible] markets indices

Index	[illegible]	Week on week movement Actual	Percent	Month on month movement Actual	[illegible]	Year to date [illegible] Actual	Percent
[illegible]	182.71	0.91	0.50	14.81	8.82	14.30	8.49
Latin America							
Argentina ([illegible]	133.67	-0.04	-0.03	18.61	16.18	18.29	15.85
Brazil (18)	210.92	24.08	12.89	43.17	25.73	71.27	51.04
[illegible] (12)	177.56	-8.59	-4.62	17.54	10.96	30.02	20.34
[illegible]	176.66	-0.92	-0.52	23.01	14.98	15.40	[illegible]
Latin [illegible] (71)	180.80	4.75	2.70	27.17	17.68	31.55	21.14
Europe							
[illegible] (14)	94.97	-5.13	-5.12	0.09	0.09	11.88	[illegible]
Portugal [illegible]	127.24	[illegible]	-1.47	11.25	9.70	15.12	[illegible]
Turkey [illegible]	98.36	-24.62	-20.02	-94.16	-48.91	[illegible]	-39.17
Europe [illegible]	109.84	-7.84	-6.50	-15.13	-12.10	-2.40	-2.14
Asia							
Indonesia (17)	176.74	-4.41	-2.44	1.16	0.66	5.70	[illegible]
Korea (23)	124.25	-6.99	[illegible]	15.44	14.19	14.55	13.26
Malaysia (21)	218.34	[illegible]	[illegible]	[illegible]	-0.38	-34.71	-13.72
Philippines (9)	298.13	9.73	3.37	-2.43	[illegible]	-24.34	-7.55
Thailand (20)	231.24	-4.10	-1.74	-25.91	-10.08	-32.31	-12.26
Taiwan (29)	163.57	1.56	0.96	4.29	2.69	9.87	6.42
[illegible] (119)	206.18	-4.34	-2.06	-1.33	-0.64	-15.23	-6.86

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCY MARKETS
Philip Gawith

Focus on yen after trade talks fail

In a week which sees [illegible] flood of UK economic [illegible] and a Bundesbank [illegible] meeting [illegible] Thursday, attention in foreign exchange [illegible] will initially [illegible] the aftermath of the failed trade talks between the US and Japan.

President Clinton and Mr Hosokawa could [illegible] reach agreement [illegible] their Friday meeting about how [illegible] cut Japan's trade surplus and improve US access to *specific* market sectors.

The general expectation [illegible] that the yen will strengthen as *this* [illegible] *one* [illegible] by which the US can close *the gap.* The market was already moving [illegible] way last week. The yen closed on Friday in [illegible] York at Y107.1 to the dollar, its highest close since mid-November.

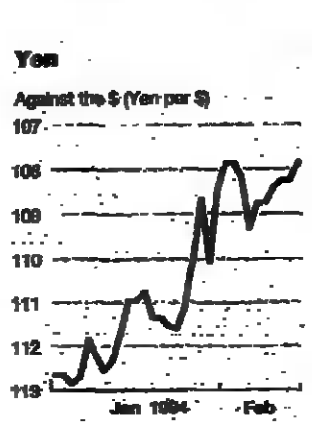
Any appreciation of the yen is likely to be [illegible] short-term phenomenon. It does not [illegible] Japan's [illegible] *as it will* hamper much-needed economic recovery. Arguably, [illegible] could also cause the trade surplus to *increase* if it inhibits growth in consumer demand.

In the longer term, economic fundamentals [illegible] stronger dollar as the US economy is enjoying solid growth while Japan remains mired in recession.

President Clinton [illegible] Saturday that the US will this week review its options on how to approach the trade question. Reports in the US media yesterday quoted senior US officials *saying the administration* had already decided to try to increase its bargaining power by imposing sanctions on some Japanese imports.

In the UK the focus will be on the release on Wednesday of retail sales figures and the retail prices index for January. With the UK economy enjoying solid growth, the outlook for [illegible] positive. [illegible] lowing [illegible] week's poorly [illegible] cut, however, [illegible] delay before [illegible] recovers [illegible] support.

In Europe attention will once *more* [illegible] *Thursday's* meeting [illegible] Bundesbank council. Although [illegible] long [illegible] forecasting [illegible] of policy, [illegible] believe [illegible] bank will wait for January's [illegible] supply [illegible] making any changes.



Source: FT Graphite

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 11 / Sch)

BELGIUM/LUXEMBOURG (Feb 11 / [illegible])

DENMARK (Feb 11 / Kr)

FINLAND (Feb 11 / Mka)

FRANCE (Feb 11 / Frs.)

GERMANY (Feb 11 / Dm.)

ITALY (Feb 11 / Lire)

NETHERLANDS (Feb 11 / Fls.)

NORWAY (Feb 11 / Kroner)

SPAIN (Feb 11 / Pts.)

SWEDEN (Feb 11 / Kronor)

SWITZERLAND (Feb 11 / Frs.)

PACIFIC

JAPAN (Feb 10 / Yen)

HONG KONG (Feb 9 / H.K.$)

MALAYSIA (Feb 8 / MYR)

SINGAPORE (Feb 8 / S$)

AUSTRALIA (Feb 11 / Aust $)

NORTH AMERICA

CANADA

TORONTO (Feb 11 / Can $)

MONTREAL (Feb 11 / Can $) 2.30 pm close

AFRICA

SOUTH AFRICA (Feb 11 / Rand)

Prices supplied by Telekurs

FT FREE ANNUAL REPORTS SERVICE

[illegible] - MOST ACTIVE STOCKS: Thursday, February 10, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fujitsu	7.3m	1,050	+10	Fujisawa Pharm	4.0m	1,220	+70
Nitsuko	5.5m	1,600	+60	Matsushita El Ind	3.7m	1,720	+50
[illegible]	5.0m	746	+15	Brother Inds	3.6m	565	+55
[illegible]	4.1m	900	+2	Tosoh	3.5m	355	+27
[illegible]	4.0m	665	-14	Zexel	3.5m	640	+60

INDICES

US INDICES

RATIOS

	Feb 4	Jan 28	Jan 21	Year ago
Dow Jones Ind. Div. Yield	2.62	2.57	2.59	3.01
	Feb 9	Feb 2	Jan 26	Year ago
S & P Ind. Div. yield	2.35	2.32	2.35	2.46
S & P Ind. P/E ratio	28.07	28.51	27.99	27.44

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	469.50	470.00	+0.55	471.95	466.50	66,942	182,181
Jun	-	471.25	+0.60	473.10	468.20	525	6,727
Sep	-	474.65	+0.60	474.60	469.60	3	909

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

Friday	Stocks [illegible]	[illegible]	Change on day
Telefonos	4,287,200	73	[illegible]
[illegible]	4,132,900	38⅝	-1⅞
Gen Motors	3,461,300	61⅛	-1⅜
[illegible] Tech	2,889,600	24⅝	+½
Chrysler	2,698,900	59	-¾
Ford Motor	2,354,100	65½	-½
Merck	2,129,800	34⅝	...
[illegible]	2,063,200	18¾	+⅜
IBM	1,983,600	53¼	+⅜
[illegible]	1,935,700	20¼	+¼

TRADING ACTIVITY

● Volume (millions)

	Feb 11	Feb 10	Feb 9
New [illegible] SE	211.801	325.755	332.597
[illegible]	[illegible]	[illegible]	22.532
NASDAQ	(u)	339.294	330.194
NYSE			
Issues Traded	2,677	2,727	2,727
Rises	819	812	1,277
Falls	1,198	1,306	844
Unchanged	650	609	606
New Highs	38	80	98
New Lows	50	54	46

[illegible] at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. [illegible] day's highs and lows are the averages of the highest and lowest prices reached during the day by each [illegible] highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached [illegible] brackets are previous day's. ¥ Subject to official recalculation.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
AIB Unit Trust Managers Limited (1400)F						
[illegible]						
AXA Equity & Law Unit Trust Mngrs (1200)H						
[illegible]						
Abbey Unit Tst Mngrs (1000)H						
[illegible]						
Capel-Cure Myers UT Mngt Ltd - Contd.						
[illegible]						
Capital House Unit Tst Mgrs Ltd						
[illegible]						
Fidelity Investment Services Ltd - Contd.						
[illegible]						
Guardian Royal Ex Unit Mgrs Ltd (1000)F						
[illegible]						
Laurentian Unit Tst Mngmt Ltd (1200)H						
[illegible]						
Mercury Fund Managers Ltd - Contd.						
[illegible]						
Unit Tst Mngmt - Contd.						
[illegible]						
Schroder Unit Trusts Ltd (1400)F						
[illegible]						

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray [illegible] and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum [illegible] price. The maximum spread between the offer and bid prices is determined by a formula prescribed by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is [illegible] the cancellation price. However, [illegible] moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

***SCHEME PARTICULARS AND* REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 43001[illegible] key in a [illegible] charged [illegible] 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

TSB Unit Trusts (1200)F
Charlton Pl, Andover, Hants. SP10 1RE 0264 346794

INSURANCES

AXA Equity & Law Life Assce
Amersham Road, High Wycombe 0494 463463

Abbey Life Assurance Co Ltd

Britannia Life Assurance
50 Bothwell Street, Glasgow G2 6HR 041-248 2000

Crown Financial Management Ltd - Contd.

Hearts of Oak Insurance Group - Contd.

Henderson Administration(z)

Lincoln National

NM Life Assurance Ltd

Providence Capital Life Assc. Co Ltd - Contd.

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT City[illegible] Unit Trust Prices: d[illegible] key in a 5 digit code [illegible] are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

MANAGEMENT SERVICES

FT MANAGED FUNDS SERVICE

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EBC Fund Managers (Jersey) Ltd

EBC Trusted Currency Fund Ltd*

	Bid Price	Offer Price	Yield Gross	City-Line
Income	$14.40	14.842	1.28	44893
Capital	$22.65	23.361	-	44894

*Offer price includes 3% prelim. charge

Fleming Group

Foreign & Colonial Mngmt (Jersey) Ltd

Greece Fund Ltd

John Govett Management (Jersey) Ltd

Comgest SA

Commercial Union Luxembourg SA (u)

Midland Internatl Circuit Fund SICAV(u)

Credit Suisse - Contd.

Edmond de Rothschild Group - Contd.

Credit Lyonnais Intl Asset Mgmt (HK) Ltd

Indosuez Asset Management Asia Ltd

Putnam Emboscy Funds Ltd

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

OTHER UK

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

[illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on page 17 in today's edition.

■ Pound in New York

[illegible]

FIXED INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

All Open interest figs. are for previous day

STOCK EXCHANGES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

[illegible]

STOCK INDICES

	Feb 11	Feb 10	Feb 9	Feb 8	Feb 7	1993/94 High	1993/94 Low	Since comp. High	Since comp. Low
FT-SE Eurotrack 100	1487.36	1499.22	1504.89	1512.37	1495.54	1540.19	1063.02	1540.19	900.45
FT-SE Eurotrack 200	1543.87	1556.07	1561.00	1574.88	1557.75	1607.10	1144.73	1607.10	[illegible]
FT Ordinary	2595.3	2619.4	[illegible]	2641.9	2633.3	2713.6	2124.7	2713.6	49.4
FT Govt Securities	103.92	[illegible]	104.11	[illegible]	[illegible]	107.60	[illegible]	127.40	[illegible]
FT Fixed Interest	[illegible]	128.36	128.87	129.73	129.66	133.87	108.67	133.87	[illegible]
FT Gold Mines	2003.59	2048.20	2049.63	2069.02	2084.91	2367.40	1034.70	2367.40	[illegible]
[illegible]	[illegible]	214.2	214.8	215.2	[illegible]	277.9	[illegible]	[illegible]	[illegible]

BANK RETURN

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BASE LENDING RATES

Bank	%
Adam & Company	5.25
Allied Trust Bank	5.25
AIB Bank	5.25
●Henry Ansbacher	5.25
Bank of Baroda	5.25
Banco Bilbao Vizcaya	5.25
Bank of Cyprus	5.25
Bank of Ireland	[illegible]
Bank of India	5.25
Bank of Scotland	5.25
Barclays Bank	5.25
Brit Bk of Mid East	5.25
●Brown Shipley	5.25
CL Bank Nederland	5.25
Citibank NA	5.25
City Merchants Bank	5.5
Clydesdale Bank	5.25
The Co-operative Bank	5.25
Coutts & Co	5.25
Credit Lyonnais	5.25
Cyprus Popular Bank	5.25
Duncan Lawrie	5.25
Exeter Bank Limited	6.5
Financial & Gen Bank	6
●Robert Fleming & Co	5.25
Girobank	5.25
●Guinness Mahon	5.25
Habib Bank AG Zurich	5.25
●Hambros Bank	5.25
Heritable & Gen Inv Bk	5.25
●Hill Samuel	5.25
C. Hoare & Co	5.25
Hongkong & Shanghai	5.25
Julian Hodge Bank	5.25
●Leopold Joseph & Sons	5.25
Lloyds Bank	5.25
Meghraj Bank Ltd	5.25
Midland Bank	5.25
* Mount Banking	6
NatWestminster	5.25
●Rea Brothers	5.25
* Roxburghe Bank Ltd is no longer authorised as a banking institution.	8
Royal Bk of Scotland	5.25
●Smith & Williamson Secs	5.25
Standard Chartered	5.25
TSB	5.25
●United Bk of Kuwait	5.25
Unity Trust Bank Plc	5.25
Western Trust	5.5
Whiteaway Laidlaw	5.25
Wimbledon & Sth West	6.5
Yorkshire Bank	5.25

● Members of British Merchant Banking & Securities Houses Association

* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

BANKS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		£23[illegible]	-1.3	Q58%	1.8	Sep May	1.8	1567
ANZ A$		271	0.7	Q20c	0.7	Jan Jul	9.12	1666
Abbey National	†□	516	3.6	11.85	2.3	May Oct	16.8	6411
Allied Irish I£	[illegible]	278	-4.5	Q44%	2.1	Oct May	16.8	1354
Anglo Irish I£	[illegible]	[illegible]	—	Q17.5%	1.7	Jan Jul	29.11	1355
Asahi Y		684	0.3	Q14%	1.3	Jan Dec	12'92	3949
Banco Bil Viz Pta		£15[illegible]	-5.5	Q27.3%	2.7	JyOcJaAp	13.7	—
Banco Sant Pta		£34[illegible]	7.8	Q38.1%	2.0	ApJyOcJa	30.10	—
Bank Leumi (UK)		295	5.3	17.0	—	Apr Sep	2.8	1740
Bk Ireland I£	[illegible]	277	-6.7	Q13¼%	1.5	Jul Dec	15.11	1360
Bank Scotland	[illegible]	222½	-3.1	4.67	1.8	[illegible] Jul	18.10	1742
9¼pc Pf		138½	-1.2	9¼%	—	[illegible] Nov	18.10	1482
9¾pc Pf		145	-1.5	9¾%	—	[illegible] Nov	18.10	—
Barclays	[illegible]	584	-5.0	12.5	—	Oct May	16.8	1764
Dai Ichi Kan Y		£12[illegible]	1.4	Q16%	3.2	Jan Dec	27.9	3221
Deutsche DM		£313[illegible]	-7.0	Q30%	—	May	24.5	2345
Espirito Santo		£25[illegible]	-4.4	Q120c	5.2	Jan	4.8	5187
First Nat Fin.	[illegible]	[illegible]	-2.3	1.5	—	Mar	17.7	2571
6.3pc Cv Pf		[illegible]	1.1	6.3%	—	Jul Jan	4.1	2570
7pc Cv Pf		105	-6	7.0	—	Jul Jan	4.1	—
Fuji Bank Y		1416	2.5	Q17%	2.3	Dec Jun	4.7	1684
HSBC HK	†□	1031	-7.7	20.0	2.0	Nov Jun	20.9	2798
HSBC (75p Shs)	†□	1010	-8.1	20.0	2.0	Nov Jun	20.9	2776
Lloyds	[illegible]	617	-1.3	22.1	2.1	Oct May	2.8	3171
Mitsubishi Y		£18[illegible]	0.3	Q17%	2.3	Jan Dec	12'92	6290
Mits Tst & Bk Y		924¼	4.6	Q16%	12.4	Jan Dec	12'92	4776
Mitsui Tst & Bk Y		709¼	-2.2	Q17%	5.5	Jan Dec	12'92	9386
Nat Aust A$		587½	-2.5	Q50c	1.7	Jul Jan	8.8	3458
NatWest	†□	554	-2.8	17.8	1.0	Oct May	16.8	3463
Ottomane FFr		£31[illegible]	-1.9	Q150%	2.3	May	12.5	1621
Ryl Bk Scotland	[illegible]	478[illegible]	-7.7	11.8	1.9	Feb Jul	13.12	3874
Sakura Y		£9[illegible]	-1.6	Q17%	3.0	Dec Jun	12'92	3831
Sanwa Y		£13[illegible]	4.1	Q17%	2.7	Jan Dec	12'92	5156
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OIL, INTEGRATED - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind.		£10	1.3	Q350c	1.7	Oct Apr	22.3	–
Barlow		64½	–6.7	Q173c	1.7	Jan Jul	13.12	1760
Gold Fields SA R		£13xd	–12.2	Q200c	1.5	Mar Sep	31.1	2717
NK Props	§	85	....	Q48.7c	0.3	Mar Oct	18.10	–
SASOL	♥	337	6.3	070c	–	Dec	20.9	3819
SA Brews		£13	–7.1	Q128c	2.2	Dec Jun	13.12	4113
Tiger Oats		713	–1.4	090c	2.9	Jan Feb	29.11	5282
Tongaat-Hulett	†	488xd	–4.6	075c	2.4	Feb Aug	4.1	5221

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◊ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Annualised dividend.
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend.
h Assumed dividend after scrip issue.
m Interim higher than previous total.
n Rights issue pending
q Earnings based on preliminary figures.
r Indicated dividend; cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
v Not subject to ACT.
z Dividend including a special payment: Cover does not apply to special payment.
F Dividend based on prospectus or other official estimates for 1994-95.
G Assumed dividend after pending scrip and/or rights issue.
H Dividend based on prospectus or other official estimates for 1993-94.
K Figures based on IIMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other official estimates.
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xp ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Trafalgar House 6pc Pf (Diversified Inds) and Fairbairn Euro Smllr (Inv Trusts). Deletions: Thornton Pan Euro Wrts (Inv Trusts) and LGW (Textiles).

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT8419. (If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822) Reports will be sent *the next working day, subject to availability. If faxing* please remember to state the weekly changing FT code above and also your post code.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 36p per minute cheap rate and 48p per minute at all other times.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

2.30 pm close

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993/94 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16 5/8	11 1/2	AAR	0.48	3.0	529	96	16	15 3/4	15 7/8	-1/8
29 3/8	12 3/4	A L Labs A	0.18	1.2	36	32	15 3/4	15 1/2	15 1/2	-1/8
67 3/4	54 5/8	AMP	1.68	2.7	22	1793	62 3/4	62	62 5/8	+1/8
72 3/4	55 1/2	AMR			31	6967	66 1/2	65 1/4	65 3/4	-1 1/2
5	1 3/4	ARX			20	746	5	4 5/8	5	+1/4
56 1/8	29 7/8	ASA	2.00	4.2	31	1279	47 7/8	46 3/4	47 3/4	-7/8
30 3/4	22 5/8	AbbotL	0.68	2.4	17	5260	29 1/8	28 3/4	28 7/8	-1/8
13	8 1/4	Abitibi Pr	0.50	3.9	8	35	12 7/8	12 3/4	12 7/8	
15 5/8	8 3/4	Accpmcain			24	47	13 1/8	12 3/4	13	
36	25 1/2	ACE Ltd	0.40	1.4	4	480	28 3/4	28	28 3/4	+1/8
12 5/8	10 3/4	ACM Gvt In x	1.09	8.8		107	12 1/2	12 3/8	12 3/8	
10 1/8	9 1/8	ACM GvOpp x	0.80	8.1		18	9 7/8	9 7/8	9 7/8	+1/8
10 5/8	8 3/4	ACM Gvt Sp x	0.96	9.4		185	10 1/4	10 1/8	10 1/4	+1/8
12 1/4	10 1/2	ACM Gvt Se x	1.09	9.3		326	11 7/8	11 5/8	11 3/4	
12 1/4	9 5/8	ACM Man x	1.08	9.7		198	11 1/8	11 1/8	11 1/8	-1/4
9 3/8	8 5/8	ACM Managd x	0.72	8.1		95	9	8 7/8	8 7/8	-1/8
12 3/8	7 3/4	AcmeClv	0.44	4.5	12	15	9 7/8	9 3/4	9 7/8	
11 3/8	6 3/8	Acme Elect			35	47	8 1/8	7 7/8	8 1/8	
27 5/8	18 3/8	Acordia	0.44	1.7	13	147	25 3/4	25 1/4	25 3/4	+1/2
9 3/4	6 5/8	Actava	0.36	4.4	16	162	8 3/8	8	8 1/4	-1/8
16	10 3/8	Acuson			92	64	12 1/8	12	12	-1/8
21 3/4	17 5/8	Adams Expr	0.39	2.2	0	65	18 1/8	18	18	-1/8
68 1/4	45 1/2	Ad Micro	3.00	5.8		19	52	51 1/2	51 1/2	-7/8
32 3/4	16 3/4	AdvMic	3.00	14.0	9	2090	21 5/8	21	21 3/8	-3/8
8 1/8	5 1/2	Advest Grp	0.16	2.3	10	17	6 7/8	6 3/4	6 7/8	
24 3/4	14 1/4	Advo Inc	0.08	0.5	114	39	17 1/8	17	17 1/8	-1/8
58 1/2	41 1/8	Aegon ADR	1.23	2.4	11	59	52	51 7/8	52	-1 3/4
68 1/4	43 3/8	Aetnal.	2.76	4.4	27	2229	62 3/4	61 3/4	62 1/4	+1/2
34	24 3/4	Aflac	0.40	1.4	12	2145	29 5/8	29	29 1/8	-1/8
22 1/8	16 3/4	Ahmnsn.	0.88	5.1	11	4051	17 3/8	17	17 3/8	-1/8
7 3/4	1 3/4	Aileen Inc			1	59	1 3/4	1 5/8	1 5/8	-1/8
49 7/8	37 1/2	AirPrC	0.92	1.9	26	1275	49 3/4	48	48	-1 1/2

[illegible]

Continued on next page

2.30 pm close

NYSE COMPOSITE PRICES

1993/94 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
24¾	13⅛	StylG	0.36	2.3	24	1043	15¾	15¼	15⅝	-⅛
22¾	10⅞	Safeway			21	1307	21⅞	21½	21¾	+⅛
5¾	2	SafewayW96				173	5	4⅞	4⅞	
55½	37½	StJoePaper	0.20	0.4	286	16	54⅝	54⅜	54½	
37⅞	28	StJosL&P	1.80	6.1	14	11	29¾	29⅝	29½	
98	75	StPaul	3.00	3.7	8	1416	81½	80½	81¼	+½
11⅞	6⅞	Salant Crp			8	172	8	7¾	7⅞	-⅛
75¼	38⅞	Sallie Mae	1.40	2.9	9	544	47⅞	47⅜	47½	-⅛
14⅞	12⅝	Salomon Br x	0.55	4.2		241	13¼	13⅛	13⅛	
51⅞	34	Salomon	0.64	1.3	6	1404	49¼	48¾	49	+⅛
27¾	22⅞	SnDgGE	1.48	6.4	12	779	23¼	23	23¼	+⅛
11⅞	8⅞	SantaFeERs	0.16	1.7	312	786	9⅜	9	9⅜	+⅜
40¾	35¼	SantaFePac	2.80	7.2	18	54	39⅛	38¾	39⅛	+⅛
25¼	12¾	SanFeP	0.10	0.4	12	4582	23⅝	22⅞	22⅞	-¾
31⅛	21	SaraLee	0.64	3.0	14	7762	21⅝	d21	21½	+⅜
52¼	40⅛	Scana Corp	2.74	5.9	12	187	46½	46	46¼	-⅜
25¾	18¼	Scecorp	1.42	7.5	13	2910	19	18⅞	19	
40½	23⅞	ScheringP			28	220	38½	37¼	37½	-¾
71	51¾	SchrPl	1.80	2.9	14	3454	61⅞	60½	61¼	+⅞
68⅞	54⅝	Schlmb	1.20	2.1	24	3689	56¼	56⅞	58	+1
38⅞	16½	Schwab(C)	0.28	1.0	13	1789	28⅞	27½	27½	-⅜
9½	6⅝	Schwitzer			136	61	u9⅝	9¼	9½	+¼
38⅞	17¾	SciAtl	0.12	0.5	53	1364	27	26¼	26⅝	+¼
15¼	9⅛	Scotsman	0.10	0.7	14	12	15	14¾	15	+¼
46¾	31	ScottP	0.80	1.8	11	1132	45⅛	44½	45⅛	+⅜
28⅝	14¼	ScuddrNAsF	0.27	1.0		84	25⅞	25⅝	25¾	-⅛
12⅛	7½	ScuddrNEuF	0.16	1.4		297	11½	11⅜	11½	-⅛
31½	16¾	SeaCnB	0.70	4.0	15	z100	17⅝	17⅝	17⅝	
17	15	SeaC1.4625	1.46	9.2		13	15⅞	15⅞	15⅞	-⅛
31	24½	Seagrm	0.56	2.0	36	1571	28⅞	28¼	28½	
[illegible]										

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

[illegible]

NASDAQ NATIONAL MARKET

2.30 pm close

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

AMEX COMPOSITE PRICES

2.30 pm close

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

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FT GUIDE TO THE WEEK

14 MONDAY

Middle East peace talks

Israel and the Palestine Liberation Organisation are due to resume talks in Paris and Egypt. They hope to build on last week's breakthrough concerning security accords in Cairo.

In Paris, the two sides are expected to continue hammering out an agreement on trade, taxation, currency, finance and banking. In Egypt, they will seek to conclude discussions on the role of a Palestinian police force and the transfer of civilian administration from Israeli to Palestinian hands.

Sutherland to meet de Klerk:

South Africa's integration into the international community continues with a visit by Gatt chief Peter Sutherland (left). He will discuss economic reform with President F. W. de Klerk and the African National Congress leader Nelson Mandela.

Albania's foreign minister Alfred Serreqi holds talks in Athens on co-operation with the European Union and bilateral issues. It is the first visit by a senior Albanian official since Greece's socialist government took over in October.

The two countries have been on bad terms since last summer over alleged mistreatment of the Greek minority in Albania and expulsions from Greece of Albanian workers.

Kazakhstan president Nursultan Nazarbayev meets US president Bill Clinton in Washington. Considered the most effective reformer in the former soviet republics, Nazarbayev will press for a greater share of western assistance to the Commonwealth of Independent States.

Lloyd's compensation offer: Today is the official deadline for loss-making Lloyd's Names to accept the insurance market's £900m out-of-court settlement offer, but Lloyd's is expected to extend it. The insurance market has said the proposed settlement would be withdrawn unless it was accepted by loss-making Names whose individual deals account for at least 70 per cent of the £900m on offer. However, if a significant number of Names accept the deal, a short extension of the offer period may be considered.

UK National Lottery: Bids from companies interested in running the national lottery must be in by midday.

Valentine's Day: Postal services, greeting card manufacturers, and restaurateurs are hoping for record business from the festival of romance.

Holidays: Brazil, some states in Germany (Carnival), Luxembourg (Shrove Monday).

15 TUESDAY

Major and Hurd in Moscow

UK prime minister John Major and defence secretary Douglas Hurd begin two days of talks in Moscow. They will try to persuade Russian president Boris Yeltsin that the Nato ultimatum threatening air strikes against Serbian forces does not signal a break with the West's commitment to a negotiated settlement in Bosnia.

Mr Major will also stress that western financial support for President Yeltsin depends on reform continuing. Mr Hurd plans to hold a meeting with the leaders of the three Baltic states in the Latvian capital Riga.

Belarus protest: Committees at some 22 enterprises plan a one-day protest to demand the resignation of the conservative government and early elections. Stanislav Shushkevich, ousted as head of state last month, has said elections are the only way to stop market reforms from being blocked by bureaucrats who do not want to let go of economic power.

Japanese budget: The Hosokawa government adopts a final budget for the fiscal year starting on April 1. The finance ministry has called for austerity following the record Y15,250bn ($1.4bn) pump-priming package. The ministry's draft calls for a 1 per cent rise in total outlays to Y73,081bn.

Middle East bilateral peace talks between Israel and Syria, Jordan, Lebanon and the Palestinians are due to resume in Washington. The Syrians, Jordanians and Lebanese are trying to make progress with Israel towards a comprehensive Middle East peace – the heart of which is an agreement on Israeli withdrawal from the occupied Syrian Golan Heights in return for full peace.

The Israeli-Palestinian talks will focus on agreeing a protocol for holding Palestinian elections under the peace accord for Palestinian self-rule in the Gaza Strip and West Bank area of Jericho.

Europe's steelmakers and the European Commission meet in Brussels to discuss the continuing crisis in the industry. After December's controversial agreement by European Union industry ministers, approving Ecu6.8bn (£5.1bn) of state aid in return for 5m tonnes of capacity cuts, non-aided producers are holding back from offering capacity reductions. They want the Commission to take a tougher line on subsidies.

UK manufacturing output's rise in the past three months is expected to continue, providing further evidence of economic recovery. The consensus forecast for December's figures is an increase of 0.3 per cent on November. The annual rate is expected to pick up to 3.5 per cent, from 2.5 per cent in November.

Holidays: Brazil, some states in Germany (Carnival).

16 WEDNESDAY

S Korea's message to US

South Korea's foreign minister Han Sung-joo (left) begins a visit to the US (to Feb 19). It was originally planned as a trade trip in connection with the creation of the North American Free Trade area. However, as Seoul becomes increasingly concerned the war of words between the US and North Korea may escalate into confrontation, Mr Han is likely to recommend the US adopts a more conciliatory tone. On Saturday, he goes on to Mexico (to Feb 23).

UK retail price index for January will be scrutinised, after last week's surprise interest rate cut. As the Bank of England's quarterly inflation report spoke of an "asymmetric risk" that "a rise in underlying inflation seems more likely than a further fall", analysts will be looking for evidence that the cut was justified.

The headline rate is expected to rise to 2.6 per cent, from 1.9 per cent in December, as mortgage rate cuts in January 1993 drop out of the annual figure. Underlying inflation (excluding mortgage interest payments) is expected to rise from 2.7 to 3 per cent.

Papal letter on the Family:

The Pope's Letter for the Year of the Family is due to be published. The 100-page document develops the issues addressed in last October's encyclical *Veritatis Splendor*, which attacked a relativistic approach to morality.

Padraig Flynn, European Union social affairs commissioner, presents a proposal on immigration and asylum policy to the Commission. It will recommend that immigrants legally resident in any member state should have the right to travel and to seek employment throughout the EU.

C$14m charge: A former personal banking consultant with Royal Bank of Canada, Shamin Alidina, is due to appear in a Toronto court on fraud charges involving C$14m (US$11m). Ms Alidina is accused of removing money from 72 customer accounts over a period of five years on the pretext of buying treasury bills. The bank has recovered C$6.4m, but faces losses of more than C$7m. The customers are being repaid.

Holidays: Brazil (Ash Wednesday, banks closed in the morning).

17 THURSDAY

Cypriot leaders to meet

President Glafkos Clerides of Cyprus and Rauf Denktash, leader of the breakaway Turkish Cypriot state in the north of the divided island, are due to meet in Nicosia.

The talks are to be chaired by Joe Clark, the former Canadian prime minister, now United Nations special envoy on Cyprus. Both leaders have agreed to a UN plan on confidence-building measures to improve relations between the Greek and Turkish Cypriot communities. These would include re-opening Nicosia airport and giving the Greek side access to Varosha, a suburb of Famagusta, after almost 20 years.

Bundesbank council meets: The policy-making council of the German central bank holds its regular fortnightly get-together to review monetary policy and consider whether interest rates should be reduced.

Markets have almost given up hope that the discount rate will be cut from the 5.75 per cent at which it has been since October.

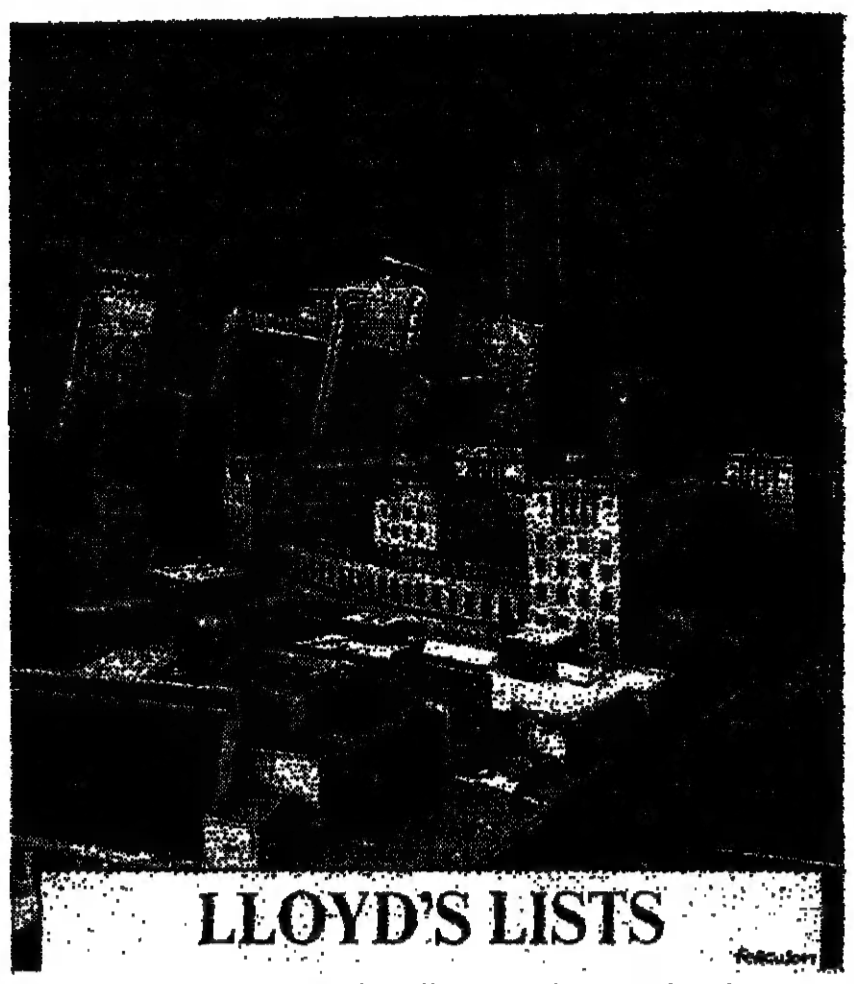
US consumer price data for January have been exciting financial markets since the Federal Reserve's recent decision to push interest rates up a quarter-point last week.

The consensus expectation is for a 0.3 per cent rise on the month. Anything higher could spark fears of another Fed tightening in the next month or so, although the figure may be distorted by bad weather last month.

Vichy era revisited: Paul Touvier, the 78-year-old former intelligence chief accused of collaborating with the Nazis during the occupation of France, goes on trial in Paris for crimes against humanity. He is charged with passing seven Jews to the Gestapo. Touvier is the first Frenchman who held high office in the Vichy government to be tried.

Saleroom: Charles Rennie Mackintosh is today hailed as a master of 20th century design, but 40 years ago the Glasgow architect, craftsman, and artist was out of fashion, and Thomas Howarth was able to accumulate his furniture, drawings and watercolours cheaply.

Howarth's collection comes under the hammer at Christie's in London today. Estimated prices range from £200, through £30,000 to £40,000 for the high-back oak chair (illustrated left), up to £300,000 for a mahogany writing cabinet designed in 1904. The sale is likely to bring in more than £1m.



Monday is official deadline for loss-making Lloyd's Names to accept a compensation package

18 FRIDAY

Yeltsin unfolds his plans

Russian president Boris Yeltsin's first state of the nation address to the joint chambers of parliament is expected to reveal his position on economic reforms after changes to the composition of his government.

Fiji national elections start on Friday, and continue for the following week. The poll was called in November by Sitiveni Rabuka, the prime minister, after his coalition government saw its 1994 budget defeated.

The election is likely to see Mr Rabuka's dominant Fiji Political Party come under pressure from the breakaway Fijian Association. Led by deputy prime minister, Josevata Kamikamita, it was formed by the dissident MPs who forced the budget's defeat.

UK money supply: After a long spell in the doldrums, the growth of the broad M4 measure has picked up sharply in recent months, giving further evidence of economic recovery.

The annual rate is expected to rise in January to an annual rate of 5.7 per cent, from December's 5.5 per cent, but still well within the government's 3-9 per cent monitoring range.

19-20 WEEKEND

Nato ultimatum on Bosnia

Nato has said that it will attack from midnight on Sunday any artillery not under UN control within 20km of Sarajevo, the beleaguered capital of Bosnia. It would be the first time Nato has fired a shot in anger in its history.

French miners' unions plan a protest in Paris on Saturday at what they see as a government decision to accelerate the run-down of the coal industry and to promote nuclear power.

Ulster peace process: John Major and Albert Reynolds, the UK and Irish prime ministers, meet on Saturday for the first time since December to discuss strategy ahead of Sinn Féin's conference in Dublin on February 26 to 27. Mr Reynolds will be in London for the England-Ireland rugby match.

Five Nations' Rugby: England play Ireland at Twickenham and Wales play France in Cardiff on Saturday

Cricket: England start the first test against the West Indies at Kingston, Jamaica on Saturday.

Compiled by Patrick Stiles and Martin Mulligan. Fax: (+44) (0)71 873 3194.

ECONOMIC DIARY

Other economic news

Monday: UK producer prices for January are published. Margins are expected to widen further, with input prices falling by 1.6 per cent on the year and output prices rising by 4 per cent. The median forecast for the output price index, excluding food, drink, tobacco and petrol, points to "underlying" inflation of 2.9 per cent at the factory gate.

Tuesday: US capacity utilisation is expected to show a rise to 83.0 per cent in January, up from 82.8 per cent in December, indicating that recovery has continued into the first quarter.

Wednesday: More UK economic statistics for January are published. The consensus forecast for the public sector borrowing requirement is £2.4bn, although analysts' predictions range from zero to a deficit of £1.2bn.

Seasonally adjusted unemployment is expected to decline by 25,000 after December's fall of nearly 47,000.

The annual increase in average earnings is expected to stay at 3 per cent.

Thursday: US merchandise trade balance for December is published today and is expected to remain in deficit to the tune of $10.2bn.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Dec business inventories	0.6%	0.6%
Feb 14	US	Jan Atlanta Fed index	–	14.1%
	France	Nov current account	FFr6bn	FFr7.5bn
	UK	Jan producer prices index input*	0.2%	-0.1%
	UK	Jan producer prices index input**	-1.6%	-0.8%
	UK	Jan producer prices index output*	0.5%	0.5%
	UK	Jan producer prices index output**	4%	4%
Tue	US	Jan industrial production	+0.4%	0.7%
Feb 15	US	Jan capacity utilisation	83%	82.8%
	Japan	Jan wholesale price index*	0.1%	0.1%
	Japan	Jan wholesale price index**	-3.1	-3.1%
	UK	Dec manufacturing output*	0.3%	0.3%
	UK	Dec manufacturing output**	3.5%	2.5%
Wed	US	Jan housing starts	1.38m	1.54m
Feb 16	Japan	Jan trade balance – custom cleared	$6.2bn	$12.9bn
	Japan	Dec industrial production seas/adj	–	2.2%
	UK	Jan retail price index*	-0.3%	0.2%
	UK	Jan retail price index**	2.6%	1.9%
	UK	Ditto, ex-mortgage int payments**	3%	2.7%
	UK	Jan retail sales*	0.6%	-0.2%
	UK	Jan retail sales**	3.3%	4%
	UK	Jan PSBR	-£2.4bn	£2.1bn
	UK	Jan unemployment rate	-25,000	-46,800
	UK	Dec average earnings	3%	3%
	Canada	Jan consumer prices index**	1.7%	1.7%
Thur	US	Jan consumer prices index	+0.3%	0.2%
Jan 17	US	Ditto, ex food and energy	+0.3%	0.3%
	US	Philadelphia Fed index	–	34.2
	US	Jan real earnings	–	unchanged
	US	M1 – w/e Feb 7	+$1bn	$0.1bn
	US	M2 – w/e Feb 7	+$3.8bn	$4.9bn
	US	M3 – w/e Feb 7	$5.9bn	$5.9bn
	Japan	Jan money supply,M2/cash dep.**	–	1.5%
	Canada	Dec manufacturing new orders*	1.3%	1%
	Canada	Dec merchandise trade surplus	C$1bn	C$736m
	Canada	Dec wage settlement increase	0.6%	0.1%
Fri	France	Dec indust production seas/adj*	0.1%	0.6%
Feb 18	UK	Jan M4*	0.4%	0.7%
	UK	Jan M4**	5.7%	5.5%
	UK	Jan M4 (lending)	£2.6bn	£4.1bn
	UK	Bdg scty net new commitments	£2.1bn	£2.1bn
During the week...				
	Germany	Jan wholesale prices index**	0.2%	0%
	Germany	Dec trade balance	DM7bn	DM8.2bn
	Germany	Dec current account	DM6bn	DM1.3bn
	Germany	producer prices index**	0%	-0.1%
	Italy	Dec industrial production**	-0.4%	-3.5%
	Italy	Dec producer prices index**	4%	3.9%
	Spain	Fourth qtr unemployment rate	23.9%	23%

*month on month, **year on year

Statistics, courtesy MMS International.

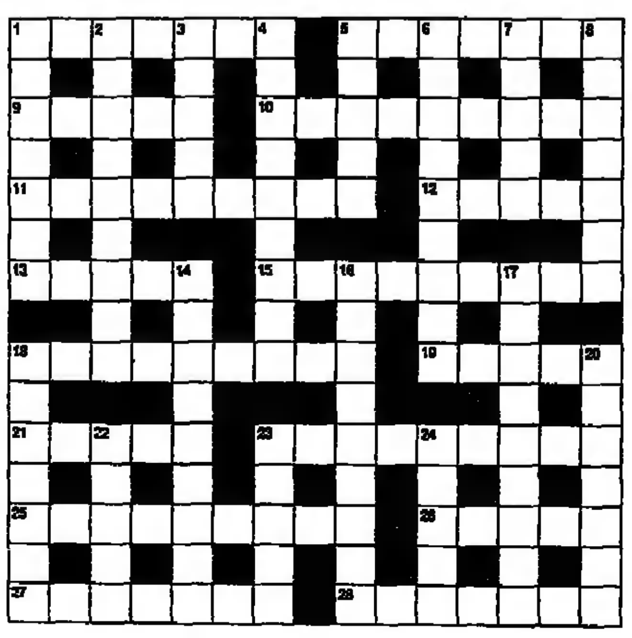
MONDAY PRIZE CROSSWORD

No.8,379 Set by CINEPHILE

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday February 24, marked Monday Crossword 8,379 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday February 28.

Name.......................................

Address.......................................



ACROSS

1 Mollusc needs some deodorant round the top (7)
5 Surgical tool for reversal of gamble (7)
9 Australian marsupial keeping setter as lover (5)
10 Display mark of wound from two-seater? (6,3)
11 Without milk, give birth to a beast that's almost a pirate (5,4)
12 Terry seems to have "em" missing from sequence (5)
13 Turn out from 6 etc (5)
15 Corporal punishment appropriate for the careless (4-5)
18 Mountain climber Lucian dressed in warm coat.... (9)
19 ....Underground traveller encountered on some road (5)
21 I move round outside in Italy (5)
23 In a word, bribe a flier to build an arbour (5-4)
25 Take a service for a fishy eight? (9)
26 Indian food I got in Irish prison (5)
27 Poet's agreement to go back around the underworld (7)
28 Dredger taken for granted? (4-3)

DOWN

1 Bad rule, altered but seldom replaced (7)
2 Fellow with a way on board (9)
3 Put down unsuitable wine (5)
4 Bad press in face of scattering (9)
5 It's held by the speaker to disconcert (5)
6 Yorkshire town: may her meat perish! (9)
7 Do better than 90 among fish (5)
8 Sound in hovel is far from tender (7)
14 Catch line, possibly: knockout may follow (9)
16 Award hero strangely for triangular mark on shaft (9)
17 Girl's name, name that's aristocratic (9)
18 Turn out in part of Faustus is daft (7)
20 Not even workers on short time get left over (7)
22 Search to steal a weapon (5)
23 Like watchful eyes, live on wrong day (5)
24 Dance for eccentric bachelor (5)

Winners 8,367

J. Brady, Naas, Co Kildare
C.H. Card, Goring-by-Sea, W. Sussex
S. Fairhead, Amersham, Bucks
Barbara E. Herold, Blackbrooks, E. Sussex
R.D. King, Borgue, Kirkcudbright
E.W.J. Teale, Harborne, Birmingham

Solution 8,367